|  |
| --- |
| PROJECT REPORT  ON |
| KINGFISHER AIRLINES |



By

|  |  |
| --- | --- |
| R Bharani Kumar | PGP27247 |
| Rakesh Jangili | PGP27243 |
| Atul Kumar Singh | PGP27210 |
| Ashish Khanna | PGP27209 |
| Abhir Bhomavat | PGP27199 |
| Ajay Robin Maurya | PGP27200 |

Prepared in partial fulfilment of the

Marketing Management

At



**Indian Institute of Management, Lucknow**

(August, 2011)

**Table of Contents**

|  |  |  |
| --- | --- | --- |
| **Serial No.** | **Contents** | **Page** |
| 1 | Introduction to Kingfisher Airlines | 1 |
| 2 | Marketing Environment Factors | 2 |
| 3 | Analysis of Competition | 4 |
| 3.1 | Competitive Strategy | 5 |
| 3.2 | Competitive Forces in Airlines Industry | 5 |
| 4 | Consumer Behavior | 7 |

1. Introduction to Kingfisher Airlines

Kingfisher Airlines is one of the leading airlines companies in India. It is a wholly owned subsidiary of the United Breweries Group. It started its operations in 2005 when the Indian civil aviation industry started to grow rapidly with the emergence of low cost service airlines like Air Sahara and Air Deccan. However, instead of taking the low cost route, Kingfisher consistently focussed on providing quality services to its passengers (whom it calls “Guests”). Being in a service based industry, Kingfisher’s focus has been on superior consumer experience by providing comfortable seating, personalized entertainment and other services to its passengers. Being associated as the sponsor of a Formula 1 team Kingfisher has built a flamboyant image that appeals to the more affluent sections of the Indian air passenger market.

In December 2007, Kingfisher Airlines marked its foray into an extremely competitive low cost carrier market by acquiring Air Deccan and renamed it low cost carrier cousin as Kingfisher Red. Since then the airlines has had to face stiff competition from other well established players like IndiGo, SpiceJet and JetLite.

1. **Marketing Environment Factors**

The airline industry in India is one of the fastest growing aviation industries in the world. However, this industry like any other is also heavily affected by environment factors. Using the PEST framework of analysis, the following are the factors which affect Kingfisher Airlines:

**Economic factors**

* + Volatility and rise in fuel rate - Power and fuel expenses account for over 40% of total operating costs. A high volatility in these prices affects Kingfisher’s ability to forecast sales and profits. More importantly a rise in the price of fuel increases expenses and affects profit which makes margin thinner in an already very competitive industry.
  + Growing economy – A growing economy means an increase in the need to travel both within India and abroad. It has been witnessed that during periods of recession, airlines show a significant drop in the number of people travelling indicating high cyclicity in this industry. Indian economy, having seen stupendous growth in the last decade, has led to the growth of the Indian airline industry in general and Kingfisher in particular.
  + Increased corporate activity - Corporates prefer air travel to other means of transport as it is the quickest means of transport. An increase in corporate activity in India has meant that Kingfisher can target a huge and attractive customer segment. Kingfisher Airlines’ “Premium Business” service has specially benefitted from this.
  + Growth in the tourism industry - India has been witnessing consistent growth in both outbound and inbound tourism. This growth is providing a huge opportunity to Kingfisher airlines to expand its operations in and outside India.

**Political and Legal factors**

* + Foreign Equity Rules – The Government of India does not allow any foreign player to take a stake in domestic airlines but allows the player to buy upto 49% of equity.
  + Opening up of new routes – The public sector airline company like Air India earlier had a monopoly over certain routes. With liberalization and the opening up of skies, Kingfisher has opportunity to start flights to some of the profitable routes.
  + High Service Tax rates – The service tax rates for airlines has historically been high currently a tax of 10.3% is levied on the gross value of tickets for all classes. This affects Kingfisher airlines profitability since it consumer are taxed substantially.
  + Corruption to acquire licences – The corruption and bureaucracy of India is well-known. Bribing is a common art practices to acquire licences for domestic as well as international airline operations. This may lead to certain players from not entering the aviation sector. One prime example is Tata.

**Social factors**

* Increasing spending power of people - With an increase in disposable income, more people now prefer travelling by air than by other modes. This has helped increase customer base. It is also an opportunity as well as a challenge for Kingfisher to target customers from different backgrounds.
* Demand for luxury and comfort – There has also been a rise in the number of high income people in India. This customer segment expects quality in-flight services from an airline and not just air travel. Kingfisher airlines has made a conscious effort to cater to this customer segment and Vijay Mallya himself endorses this service.
* Increased popularity of foreign travel – Travelling to foreign locations has been a status symbol for Indians. Locations such as Swiss Alps have also been popularised by Indian movies and this has encouraged Indians to fly abroad to such locations to spend vacations.
* Language diversity –The airhostess are expected to know multiple languages like English, Hindi and also the regional language of the state in which the particular flight operates. Many first-time travellers have to be given safety instructions in the regional language.

**Technological factors**

* Widespread use of the Internet – The internet has had a huge impact on the airlines industry. Consumers can compare price of tickets of different airlines on websites, book them online and also enquire about the different facilities. Kingfisher airlines have built a successful internet infrastructure to leverage the benefits offered by internet to boost its customer count by providing hassle-free services.
* Designing and manufacturing of bigger and more comfortable airplanes – With the purchase of new aircrafts from Boeing and Airbus that provide a more comfortable journey to passengers, Kingfisher has positioned itself as a premiere airline that focuses on providing comfort to its passengers and is also aggressive in its intent to grow.
* Efficient handling of passenger baggage and cargo at airports – Online check-in and seat selection along with printing your own boarding pass is another added convenience due to the growth of internet and mobile technology. There also machines through which one can print their own boarding pass at the terminal.

1. **Analysis of Competition**

Indian Aviation Market is a highly competitive market with the presence of a number of domestic players. The market is segmented into full service carriers which provide full range of services that includes business class for customers who want premium services and economy class for more price conscious customers and low cost carriers which solely focus on providing affordable air transportation services to price conscious customers.

In the full service carrier space, Kingfisher has Air India and Jet Airways as competitors whereas SpiceJet, IndiGo, GoAir and JetLite provide competition to Kingfisher Red in low cost carrier space.

Indian aviation market can also be segmented service wise into Domestic and International carriers. As against a host of carriers that operate in domestic space, Air India, Jet Airways and Kingfisher are the only three airlines which operate internationally. Indigo is planning to launch its international services later this year.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Kingfisher Airlines  **Market Leader** | Competitors  **Challengers** | |
| Full Service Carriers | Kingfisher   * Kingfisher First for premium business * Kingfisher Class for premium economy * First Indian airline to have in-flight entertainment system on every seat even on domestic flights. * Various benefits offered to members of “King Club”, the frequent flier program. * Serves 8 international destinations in 8 countries. | Jet Airways   * Première (Business class) * Economy Class * Serves 51 domestic destinations and 24 international destinations. * International routes have recently become a bigger part of its business. * Jet Airways Lounges are offered to First and Première Class passengers. | Air India   * Serves 26 international destinations in 19 countries. * Pan India coverage * Monopoly on some of the routes mostly in middle- east. * Has largest share of aviation fleet. * “Maharaja Lounge” at JFK and Heathrow International Airports. |
| Kingfisher Airlines is the **Market Leader** in Full Service Carrier in domestic sector. Through its services that appeal to the aspirational middle class and a strong brand image that introduced the “Good Flying” concept, Kingfisher has carved a niche for itself in a short period of time. In the international services space it is currently the follower but is looking to grab higher market share and become a strong challenger. Today it is way behind in terms of routes covered when compared to Jet Airways and Air India which have been in this space since a much longer time | | | |

|  |  |  |  |
| --- | --- | --- | --- |
| Low Cost Carriers | Kingfisher Red  **Challenger**   * Kingfisher’s premium low cost carrier * Serves free food and better leg space compared to peers * Suffers from poor on time performance and is not as cheap as competitors * Operates in 18 destinations across India | IndiGo  **Leader**   * India’s Top Low Cost Carrier in terms of market share * Commendable on time performance, lowest price * Only LCC to make consistent profit * Operates to 26 destinations in India * Provides only economy class * Has the best flight timings allocated for particular routes * Offers only complementary mineral water to passengers, but has a wide variety of food items for on-spot purchase | SpiceJet  **Challenger**   * At 14% it is second in terms of market share. * Well established in the LCC space * Aims to compete with Indian Railways for those passengers who travel in the 1st and 2nd Tier air conditioned coaches * Operates to 19 destinations across India |
| At third position by market share Kingfisher is a challenger in the low cost carrier segment. While this segment is a fast growing segment, it is also a crowded segment with the presence of a number of strong competitors. Kingfisher’s premium low cost service is also contrary to its expensive image and customers for whom cheaper tickets and on time flights are more important than in-flight service have still not warmed up to Kingfisher Red. | | | |

**3.1 Competitive Strategy**

**Full Service Carriers**

* Leader- Kingfisher is a leader in Full Service Carrier segment. As part of its strategy to defend its leadership position, Kingfisher continues to focus on the points of differences which it has with respect to its competitors. In its promotional campaigns it highlights itself as being the only Five Star Airline in India. It is also entering into alliances with five star hotels like Mariott and foreign airlines like British Airways to overcome its weakness in international segment.
* Challenger – Jet Airways is a challenger in Full Service Carrier segment. However due to pressure on profits from domestic operation due to high fuel cost and competition, Jet airways future strategy involves increased focus on international operations where pricing has been more stable and profits have been high.

**Low Cost Carriers**

* Leader­- Indigo is leader in low cost carrier space. In order to consolidate its position as leader, Indigo has started flying on new routes in India like connecting Chattisgarh State to Metros. With high degree of rivalry in domestic low cost carrier market, Indigo is also planning to start international flights which will have better effect on its margins.
* Challenger – At third position by market share Kingfisher is a challenger in the low cost carrier segment. Although its competitors in the low cost carrier segment compete on the basis of price and provide only minimal on-flight services, Kingfisher Red provides affordable in-flight meal services and also provides magazines to read. Its strategy therefore is to charge a little more compared to its competitors but provide good experience to its passengers in keeping with its Kingfisher brand.

**3.2 Competitive Forces in Airlines Industry**

* Bargaining Power of Suppliers- Indian airlines industry is characterised by strong rivalry and supplier power. Despite their being a number of airlines operating, they have to rely on Boeing and Airbus, the two major suppliers of aircrafts. Similarly they are also adversely affected by fuel price rise indicating the strength of supplier power.
* Bargaining power of Customers – Airlines have a large number of customers. Price sensitivity is high too because of the growth of online price comparison sites and due to competition from low cost carriers. However airlines can differentiate their services in several ways. Kingfisher airlines has done this by focusing on additional services offered like extra leg room, in-flight entertainment etc.
* Threats of new entrants – The economic entrance barriers to the airlines industry are relatively high. The new operators have to secure a license for flying. Besides this a significant amount of investment is needed to buy or lease new aircrafts, set up slots at airports and travel booking systems have to be set up. Hence there are no immediate threats unless conglomerates like Reliance, Tata, Essar plan to enter this sector which seems unlikely.
* Threats of substitutes – Other forms of transportation such as rail and road transport are considered as substitutes. Customers take into account the cost of travel from alternative modes of transport but also how long it takes to make the journey. Except for price conscious customers this threat is relatively less in case of airlines industry. However for small distances, customers might prefer train travel over airlines. Super-fast trains like Shatabdi and Duronto Expresses are also a good option for customers to choose when it comes to balancing the value of money and time.
* Degree of Rivalry – Rivalry in Indian airline industry is very high. In addition to Kingfisher there are a number of large companies like Air India and Jet Airways. Besides in low cost carrier space the rivalry is even more intense because these carriers compete on price. There has been consolidation in this sector which has reduced rivalry to some extent. Air Deccan and Air Sahara being sold out to other players has reduced rivalry that existed earlier. This consolidation has allowed Kingfisher and Jet to maintain their respective full-service airline along with being able to cater to lower income segment customers thorough slightly different brand names like ‘Kingfisher Red’ and ‘JetLite’.

1. **Consumer Behavior Analysis**

**Marketing Stimuli**

* Products and Services
  + The consumers use airlines for quick travel. Any form of time urgency would act a stimulus for the company to use air travel.
  + The company focuses on giving best in class services to its customers that are like providing state of the art interiors, and in-flight entertainment systems.
  + The company started addressing its customers as “GUESTS” rather than passengers. This was a sign of superior hospitality which is what customers are looking for.
  + Guests prefer more legroom and bigger seats and Kingfisher has taken care of these aspects to increase the level of comfort.
  + For greater consumer convenience the company launched King Mobile for offering a range of services on mobile phone like flight update and buying tickets through SMS on the mobile platform
  + It launched unique Little Wings program that was specially designed for young flyers between age group 2 to 12 years. It has a unique combination of rewards, benefits and giveaways that makes theirs as well as their parents’ experience enjoyable.
* Promotion
  + Consumers are attracted by what the brand really stands for. Vijay Mallya has projected this brand as a lifestyle brand, “The King of Good Times”. KFA made use of various lifestyle events like fashion shows, celebrity golf matches, New Year parties in order to build its “Kingfisher” brand.
  + Frequent fliers of the business traveller segment, which was dominated by Jet Airways was targeted by Kingfisher by offering a “**King Saver Booklet**”. This booklet contained six free flight tickets and was presented as a free gift if the passenger bought two such booklets each worth Rs. 26,999. Passengers could avail off this offer if they showed there Jet Privilege Member (Gold or Platinum) card.
* Price
  + Kingfisher Airlines has ensured that price wise it is not positioned as a low cost carrier as passengers like to attribute them with low quality of service. Instead it has a separate brand Kingfisher Red for low cost services but even here too it is priced higher than its competitors.
  + Consumers are also given the choice of multiple fare options depending on the date of booking and auctioning of tickets on all traffic routes.
* Communication
* Consumers try and relate a service by the way it is communicated. KFA’s premium class is endorsed by Vijay Mallya himself, who is a lifestyle icon. He has tried to bring his image into the minds of people because he is someone who people perceive as extravagant and lives a luxurious life. Hence Vijay Mallya’s promise of an excellent flying experience is a sort of guarantee which is communicated to attract people to fly with KFA.

**Consumer Psychology**

* Perception- The customer’s perception about the quality of service matters a lot. The customer expects good service and a feeling of superiority when using Kingfisher services because of its overall brand image and this influences his decision on whether to fly with Kingfisher or not.
* Learning–Based on consumer’s experience with Kingfisher Airlines, consumer might respond in a favourable manner when given the choice of using Kingfisher’s other services like Kingfisher Red. With Kingfisher Airlines offering good services, consumers feel that services offered by Kingfisher Red will be satisfying as well.
* Memory – A good flying experience has an impact on whether the consumer wants to fly with Kingfisher Airlines again or not. If the passengers have had good experience with Kingfisher staff and if their basic expectations like no flight delay and good baggage handling have been met, they will prefer to fly on Kingfisher again. On the other hand a bad experience in dealing with staff might put them off and they might switch to some other carriers.

**Buying Decision Process**

* Problem Recognition – The need of the customer is travelling. The need could arise because of a well-in-advance planned trip or an urgent visit. For a kingfisher airlines customer however, it can also be about travelling comfortably.
* Information Search -The customer searches for information on ticketing, check in and better evaluation of alternatives available online through websites such as makemytrip, cleartrip, easytrip. Customers can get a lot of information on timings and pricing of Kingfisher airlines tickets on these websites where they can also compare it with its alternatives as shown in the Fig.1.



Fig1: A business class ticket search on website makemytrip.com

* Evaluation of Alternatives – Based on the information provided to the prospective air-traveller, the customer compares the airline with its competitors as well as with its own carrier. Based on customer’s weightage given to different criteria evaluates the results against his parameters. Those who want to a book a ticket for an immediate flight or a flight within a day or two of booking would give first preference to the flight schedule and then to the price. They might prefer a morning flight over an afternoon flight. This is also an important consideration for business travellers.

|  |  |  |
| --- | --- | --- |
| **Criteria** | **Low Cost Carrier** | **Full Services Carrier** |
| Price | Very High | High |
| Punctuality | High | High |
| Flight Schedule | High | High |
| Comfort | Low | Very High |
| Services | High | Very High |
| Brand Loyalty | Low | High |

* Purchase decision - The purchase decision of a customer in the low cost carrier is mostly lexicographic heuristic i.e. dominated by one attribute of the service, while in the case of full services carrier the consumer compares brand which satisfies minimal cut offs (Conjunctive heuristic)
* Post Purchase behavior - The post purchase behavior depends on the experience of the customer. It is very important in the case of an airline industry to retain its customers. Having a good experience will build the brand image and will help the company when the customer evaluates the alternatives the next time. Hence all in-flight crew members are trained to greet the passengers even while leaving the aircraft so as to make sure that the customers leave with a good impression their service.

**Purchase Decision**

* Product Choice – Kingfisher First travellers want a service that can provide superior quality service and hence fly with Kingfisher. A customer chooses between the low-cost and high-cost service based on his income and need for travel at that particular point of time.
* Brand Choice – In the LCC segment, customers may not prefer any particular brand for its service, but would definitely prefer an airline that gives them the best prices and on-schedule arrivals. In the full-frills segment, customers are more brand conscious because they would like to be seated at particular lounges on airports. Having a special entry to a high-end lounge on the airport is also a status symbol.
* Dealer Choice – Many customers in India still book tickets through an agent. Many airlines have tie-up with agent. An agent would provide a regular customer better prices than what the airline can directly offer. An agent would decrease his personal margin to retain his high-revenue customers.
* Purchase timing – Customers would buy an international airline ticket 3 months in advance if they are planning on going for a holiday. In this case, the customer may take multiple days to decide based on what the website offers and also based on the packaged deal that an agent can offer. The packaged deal would also include hotel bookings, sight-seeing etc. In the case of an emergency or an important business visit, a customer would buy the ticket immediately without giving price too much of a consideration.
* Payment Method – Kingfisher along with other airlines provides the option to the consumer to pay online via debit card, credit card and net banking. Mobile Banking has also been offered lately.

Other stimuli which would include Economic, Technological, Political and Cultural factors have already been covered in the macro-environment scanning section.

**SEGMENTATION, TARGETING & POSITIONING**

**Income**: It is a demographic variable which segments the Aviation industry into different incomes groups with different flying needs. The following income levels have been drafted keeping in mind prospective flyers.

* High level income group: People who fall under this category have an income level of more than Rs 12 lakhs per annum. Generally business men, top level managers of big companies etc. fall under this category.
* Middle level income group: People who fall under this category generally earn anywhere between Rs.5 lakhs to 12 lakhs. Young working professionals, middle level managers, small proprietors etc fall under this group.
* Lower level income group: People who earn less than Rs 5 lakhs fall under this group. Fresh graduates who have started working, people at supervisory levels in organizations etc generally fall under this category.

**Purpose of travel**: This is one of the main variables in Psychographic segmentation. It answers the question, “why do people fly?” Below are mentioned the reasons that have been identified:

* Business Travel: People who travel mainly for the purpose of work and business prefer crisp service, safety and security and plush ambience with all facilities like food, wi-fi etc. These are the people who want to reach destinations fast and hence prefer Hybrid or Full service airlines depending on the availability of tickets and income level. Kingfisher First services this segment
* Leisure Travel: Leisure Travellers are people going for vacations. Among them, those who are on a low budget might prefer low fare airlines. These are fresh graduates, young working class, etc. Well off families might prefer full service luxury service. Kingfisher Premium and Kingfisher Red service this segment

**Flying Destinations**: This is a geographical variable that plays a vital role while segmenting. Aviation industry identifies 3 different levels namely:

* Metros and Tier I cities: This category includes all metro and big cities like Delhi, Mumbai, Chennai, Kolkata, Bangalore etc.
* Tier II cities: This covers other urban cities like Ahmedabad, Pune, Jaipur etc. are category.
* Tier III cities: Small towns and other rural areas are categorized under this level.

**Frequency of Usage**: This variable describes the frequency at which passengers opt for air travel.

* Frequent flyers: Those who frequently travel by a certain airline and prefer it over the other airlines because of strong loyalty programs
* First timers: This is a person who travels for the 1st time by a particular airline. It’s generally observed that full service and premium airlines cater to frequent flyers and a small percentage of first timers as well. Whereas no frill airlines generally carry the first timers who over a period of time can become frequent flyers depending on other variables like lifestyle, income group etc.

**Loyalty**: Segmenting by way of behaviour which defines the commitment of the customers towards the brands. We can categorize the consumers into three groups- hard core loyals, split loyals and switchers.

* Hard core loyals: These are consumers who are extremely loyal to those brands with which they have formed a deep emotional bond.
* Split loyals: These are customers who use more than one brand. Their loyalty is divided among two or three brands.
* Switchers: These are customers who are not loyal to any brand; they continuously switch from one brand to the other. For example people travelling by low cost airlines may not be loyal to a single carrier as they prefer to travel by those airlines that offer the least fare.

**Targeting**

After the consumers are segmented, the most attractive segments are selected to offer the service of the company. In domestic markets, Kingfisher is targeting 3 classes of people. Kingfisher has 3 different cabin classes for their three target consumers.

Kingfisher First:

* In this segment, Kingfisher Airlines target company executives, affluent class people, and business & leisure travellers.
* They are mostly in the age group of 25 years and above.
* These guests have extensive prior travelling experience and are aware of international travel trends.
* The services offered by Kingfisher Airlines to this class emphasize their focus to target those segments that are willing to pay for luxury
* The services that are offered by Kingfisher First are laptop and mobile phone chargers, latest international newspapers and magazines, steam ironing service. Other audio and visual entertainment like music and movies are also offered
* Services like personal choice of dining and wine are also offered
* The high end services which are offered to Kingfisher First customers is the premium lounge service,“King Club”at airports where one can relax between flights. These lounges are extremely careful on making sure that their customers are happy

Kingfisher Class:

* With this class, Kingfisher Airlines is targeting the upper middle & the lower strata of the rich class of customers. This is relatively less expensive than Kingfisher First
* Expected services in this class include entertainment in the form of movies, music and games. Customers are offered different type of meals and they have access to newspapers and magazines

Kingfisher Red:

* This is Kingfisher Airline’s LCC on domestic routes. It is essentially a no-frills airlines
* Kingfisher Red targets the middle class, lower middle class and first time flyers. First time flyers. They also target 2 AC and 1 AC railway customers.
* Contrary to the other LCC players like Indigo, Jetlite and GoAir, it offers on-board meals at no additional cost. This is a “Customer Delight” since it is the only LCC in India that offer meals with ticket prices that are comparable across the industry.

**Positioning**

* Through extensive advertising, Kingfisher Airlines has projected itself as a youthful, fun-filled and world class image
* Vijay Mallya has succeeded in creating in the minds of people that Kingfisher is the “King of Good Times”. He has often quoted that he guarantees the finest flying experience in Indian skies to Kingfisher First customers
* His personal image has positioned in the minds of people that Kingfisher is lifestyle brand and flying Kingfisher is also a status symbol
* With Kingfisher Red offering comparable rates in the LCC segment, KFA has managed to delight customers with free on-board meals. Hence it is positioned as a better brand even among the LCCs
* They have successfully managed to establish themselves as an aspirational brand in our country
* KFA addresses their customers as “Guests”, this has positioned the brand as a hospitable service along with the usual flying services
* Deepika Padukone and Yana Gupta endorse KFA to bring out youthful image of their brand

**Branding**

a) Branding strategy – PoP vs. PoD, Positioning against the competitors

b) Brand naming and brand architecture.

The Indian middle class perceives KFA as higher-class aviation company and has a certain image of luxury attached to it

* *Kingfisher First* is the business class service of KFA focused on business class passengers who are willing to spend for premium services.
* *Kingfisher Class* is the aspirational premium economy service of KFA focused on the growing middle-class that is trendy, savvy and also brand conscious
* *Kingfisher Red* is the low fare service of KFA focused on the growing middle class who are price conscious

Kingfisher – A UB Group Brand

The brand image of the parent Kingfisher brand which in itself was built by its company, UB group was present mainly in alcoholic beverages until it entered the airlines business as well.

**Brand Extension**

The UB group brand and Vijay Mallya’s personality brand added to the brand value of Kingfisher Airlines. Kingfisher Airlines was brand extension of Kingfisher which was famous for its beer.

**Building Brand Equity**

**Kingfisher Class**: KFA presented itself as a lifestyle-based aviation company through its glamorous airhostesses and superior hospitality and luxury services combined with the core service of travel. It used multiple promotional campaigns, from having India's top model Yana Gupta on flight, to schemes on discounted tickets, initially, to invite people to experience the 'good flying' concept.

**Kingfisher Red:** After the acquisition of Air Deccan, they marketed Kingfisher Red as a budget airline targeting the middle of the market. Kingfisher Red has carved position for itself i.e low cost carrier with a premium experience. It proudly calls itself a “*premium low cost carrier”.* If the position is sustained and if the brand image continues to communicate this, it could develop a considerable customer base and reach the position of the market leader in this segment

|  |
| --- |
| BRANDING INITIATIVES |
| 1. Cobranding Initiatives with American Express Corporate card, Airtel and various state tourism departments like the Goa tourism 2. Tying up with various restaurants and premium hotels like Park Hotel 3. Signing up with Bollywood actors and actresses as Brand ambassadors like Deepika Padukone 4. Marketed Extensively by becoming channel partner to NDTV Good Times 5. Tying up with Malaysia tourism in organizing golf tournaments 6. Aggressive advertising and marketing campaigns to debase competitors’ marketing initiatives especially Jet Airways. |

**Positioning against Competitors**

Kingfisher First and Kingfisher Class

Jet Airways is the single largest competitor of Kingfisher Airlines. Jet enjoyed several years of unfettered success after it had beat the Indian Airlines' monopoly and market, becoming India's premier airline since 1993. Jet Airways had a well-developed network and a massive pool of loyal customers. In its initial years of entry Kingfisher was aiming to be a low-fare carrier, but soon after its launch Mallya converted it to premium service, taking Jet head-on. Kingfisher’s image of flamboyancy and luxury attracted a lot of customers who were looking for a change and were ready to try something new since they were ready to pay the price tag attached to it.

Kingfisher Red

Kingfisher also faces stiff competition from Indigo in the low cost carrier market.

* Indigo’s Branding Strategy: *Indigo* has done remarkably well expanding its market share in domestic airlines market. Indigo could create a brand image of maintaining the time perfect on time service at some of the lowest market fares. This is a major concern to *Kingfisher Red*. Indigo recently replaced Kingfisher Red at the top
* Kingfisher Red’s Branding strategy: To regain its lost market share Kingfisher started offering free Indian meals on its flights at prices that were on par with those of Jetlite, GoAir and Indigo. This move of theirs has been successful in **Reinforcing its Brand** as the “premium low cost carrier”

**Rebranding after acquisition of Air Deccan**

Kingfisher bought out Air Deccan in a strategic move to enter the Indian LCC service business.

Initial Branding Exercise and Revamping

* In October 2007, Air Deccan was renamed "Simplifly Deccan". Tagline: "The choice is simple"
* Replacement of old logo with the Kingfisher logo and usage of same font of Kingfisher Airlines on Simplifly Deccan
* The old yellow and blue colors of Air Deccan were replaced by Kingfisher Airlines’ red and white, supposedly to give the same premium look and feel to Deccan as well
* The check-in counters at airports as well as the crew uniforms now had the same red and white colors as those for Kingfisher Airlines
* The new look airline also promised excellent on-time performance, a wider network and "little delights all the way"
* Kingfisher also adopted some drastic changes like employing their own employees for check-in instead of outsourcing

Final rebranding

* In August 2008, the airlines further changed its name to Kingfisher Red keeping everything else more or less the same

**Points of Parity**

* The Points of Parity in the Low cost Airlines market comprise basic services like scheduling, connectivity, cleanliness, low price (especially in Indian Airlines market)
* In full services airlines the points of parity would include not only scheduling, connectivity, cleanliness but also quality catering services. Other services included would be in-flight entertainment in the form movies, music, games, etc
* In the Business class travel segment services that are points of parity are larger seats, more leg space along with cuisines of the passenger choice

**Points of Differences**

* The points of difference are clearly the comfort and the delight experience that the airline highlights
* Kingfisher Red focused on services like tele-booking, free food etc., on which it could create significant differences compared to peers

**Customers’ perceptions**

Kingfisher ignored the lower order needs of the customer like punctuality which were the basic points of parity. Indigo could encash upon these points of parity. Perceptions about Kingfisher Airlines in the customer’s mind are negative in terms of punctuality whereas customers have a positive perception about Indigo regarding its punctuality and competitive prices.

**Pricing Strategies**

Pricing is a sensitive issue in the Aviation industry and varies based on the types of services that are offered. Pricing strategies for Kingfisher First, Kingfisher Class and Kingfisher Red are different since they are targeted at different segments of consumers

**Reference Price**

Thanks to the penetration of technology in recent times, a consumer has access to almost all flights that are available online. He has access to websites like makemytrip.com and yatra.com which gives him a fair idea of the reference price of flights on particular routes at particular times. Regular fliers are also aware of seasonal changes in prices; hence they keep in mind the changing reference price

**Price-Quality Inference and Leadership**

Since Kingfisher First charges more than 7 times of the regular Kingfisher Red fare, it creates in the minds of people the superior service that Kingfisher First will offer. This is a high margin service for Kingfisher First and low volume business. Kingfisher First is positioned as a leader in quality aviation services and has a very loyal customer base

**Price Sensitivity**

Kingfisher Red: Kingfisher Red targets the extremely price sensitive segment of fliers. Here the elasticity of demand is high and a small price change can make the consumer opt for a competitor like Indigo, GoAir or Jetlite. KFA makes sure that they price Kingfisher Red at comparable and competitive prices so as to grab a higher market share

Kingfisher First: The elasticity of demand for Kingfisher First is relatively less elastic. A customer does not bother too much about prices here because in most cases the price is borne by the corporate companies they work for

**Discounts**

KFA offers discounts during off seasons just like all other airlines across the world.

**Differentiated Pricing**

KFA, like all other airlines follows a massive price discrimination policy. They are mainly of the following types

**Flight Timing based**: KFA charges different prices for different take-off times on the same routes. For example an early morning flight from Mumbai to Delhi would always be more expensive as compared to a mid-day one.

**Date of Booking**: If a customer books well in advance, he gets tickets at a much cheaper rate as compared to the prices he would get if he booked 2 days in advance

**Route based**: The routes with heavier traffic would have cheaper rates because of high volumes and competition from other players. Routes that connect Tier 2 and Tier 3 cities would be more expensive because of the lack of volumes and competition

**Age Based**: KFA offers 50% discount on base fare for senior citizens above the age of 65

**Bundle Pricing**: By tying with hotels and other tour operators KFA offers a bundle of services at a rate which would be cheaper than the sum of all the goods and services of that bundle individually

**Value Pricing**: Kingfisher Red has prices similar to other LCCs but they also offer free meals. This gives the customers a value for money pricing perception.

**Image Pricing**: Kingfisher First is priced not only based on the superior and luxury services that they offer but also based on a certain image. The customers would have access to an exclusive lounge. They also have a different entry (boarding process and gate) into the aircraft for international flights. They have a separate check-in and baggage counter. A limousine pick-up to and fro from the hotel would be available. All these factors show that they treat their high-end customers keeping in mind that they are conscious of their image. These customers are willing to pay for these services since it gives them a certain status and image.

**Channel Pricing**: KFA tickets might be available at cheaper cost if one books from regular travel agents. Additional food items can be bought on-board Kingfisher Red at prices that are close to 3 times higher than the regular MRP.

**Services:**

Services have four distinct characteristics that affect the design of marketing programs. They are intangibility, inseparability, variability, and perishability. Unlike physical products, services cannot be seen, tasted, felt, heard or smelled before they are bought.

Airline industry has to keep a good track of reservation system and demand to maintain profitability in the industry. They also focus on complementary and shared services.

A blueprint for a customer availing customer service is shown in Figure 2. The lines of interaction are important and customer draws his experience from each one of it. Customer forms service expectations from many sources, such as past experiences, word of mouth, and advertising. In general, customers compare perceived service with expected service. Successful companies add benefits to their offering that not only satisfy customers but surprise and delight them.

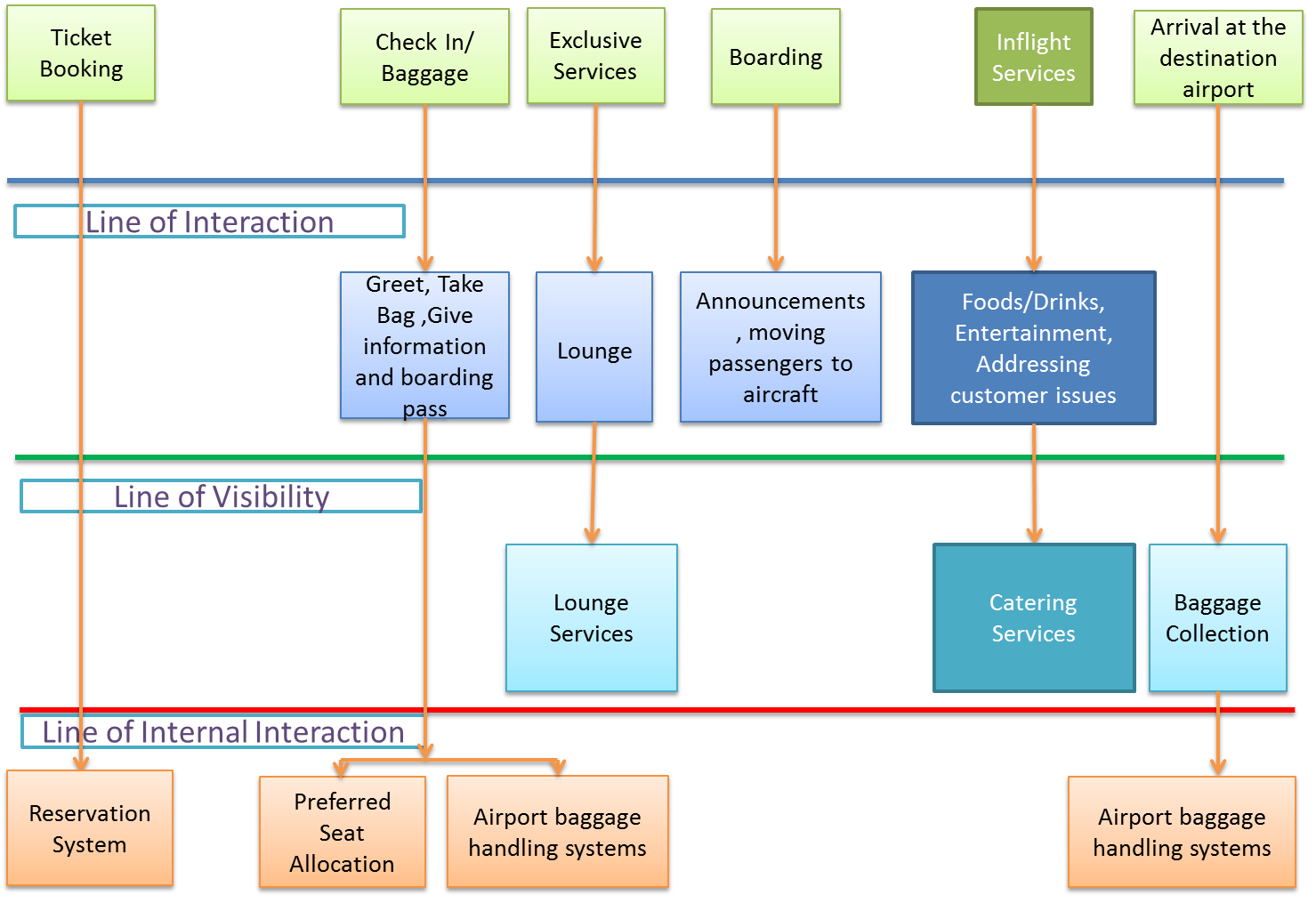


Figure 2 – Blueprint for Airline travel

Airlines have a service mix category. The offering consists of major service along with additional or supporting services. For example, though the trip includes a few tangible goods such as snacks and drinks, what airline passengers buy is transportation.

Airline industry services can be divided in the following ways

* **Reservation**: Online reservation, ability to utilize the Kingfisher miles from loyalty program at the time of reservation and many promotional offers. Web check in 12 hours before reaching the airport.
* **Flight Information**: Kingfisher Airlines are the first to launch a range of services on the mobile that provide real time information of schedule and flight delays etc. This is how they try to distinguish from their competitors
* **Facilities at Airport**: Kingfisher First provides personal valet at the airport to assist in every step of the way, from baggage handling to boarding, separate lounges and private space with refreshments, music etc. also provides two additional lounge vouchers for the companions
* **Flight Entertainment**: Personalized video screens and headphones for entertainment along with exclusive Kingfisher Radio. A moving map on the personalized video screen shows the flight position. It tracks the aircraft's altitude and speed, and remaining flight time to inform guests on top of things at all times. Seats are equipped with laptop and mobile phone chargers and guests can avail of the newspapers and magazines
* **On Board Meal**: A special selection of food and beverages is available on board with an individual Menu Card for every guest to enable them to choose from the finest on offer
* **Other Services**: Kingfisher airlines are the India’s only 5 star airlines for the service they provide. They started providing customers with International comforts for the first time in the Indian skies; such as wider seats, personalized video screens, adjustable headrests etc. Right from collecting the boarding pass there is a focus on aesthetics and consistency in look and feel (Red and White colours)
* **Safety:** Kingfisher has the most sophisticated navigation, communication, and security systems - both in the air and on the ground, with a highly trained and skilled team of pilots and cabin crew
* **Comfort:** Adjustable wide seats with plenty of legroom and headrests. The superbly groomed world class cabin crew and flight attendants to take care of guests.
* **Unique Positioning**: Kingfisher Airlines positioned itself as a company in ‘aviation hospitality ‘not as a company in the business of transporting people by air. Kingfisher refers to its customers as ‘guests’ and not ‘passengers’. KFA has also segmented classes on the basis of price levels and offers different services to different segments

Services offered as compared to their competitor:

According to SKYTRAX (the world’s largest airline review site) the rating offered to Kingfisher and its competitors is as shown below. Overall no other Indian Airliner has got even 4 stars rating, while Kingfisher got a rating of 5.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Class** |  | **Kingfisher** | **Air India** | **Jet Airways** |
| **Long Haul** | First Class | - | 4-Star Rating | 4-Star Rating |
| Business Class | 5-Star Rating | 4-Star Rating | 4-Star Rating |
| Economy Class | 4-Star Rating | 4-Star Rating | 4-Star Rating |
| **Short Haul** | First Class | 5-Star Rating | 4-Star Rating | 4-Star Rating |
| Economy Class | 4-Star Rating | 4-Star Rating | 4-Star Rating |

Kingfisher provides following services to its customers:

There have been recent innovative services offered by Kingfisher Airlines for its customers. These innovative services in their initial phase of launch provide augmented services, but with time they become a part of expected services. Hence an airline has to continuously add these services in order to delight the customer.

1. **Convenient check-in services at the New Delhi Railway station (Metro Line)** – The check-in facility means that passengers will be able to travel baggage free on the Metro, enabling two layers of security checks to be avoided which will be a augmented service.
2. **King Mobile**: Kingfisher Airlines claims to be the first Indian Airline to launch a range of services on the mobile platform. Now a customer e can check for flight updates, buy tickets through SMS or access other services through a simple mobile application
3. **Little Wings**: King Club's Little Wings Program is specially designed for young flyers between age group of 2 to 12 years. This program is a unique combination of rewards, benefits, and giveaways specially designed for kids, to make their flying experience truly enjoyable. They have launched this service to target the customers who travel in family. They are trying to create a perception in the mind of children that they will be offered more if they travel with them. Children who also influence purchase decisions will then pressurize their parents for travelling by Kingfisher Airlines while travelling.

These innovative services in their initial phase of launch provide augmented services, but with time they become a part of expected services. Hence an airline has to continuously add these services in order to delight the customer.

### Kingfisher also has separate class of service for extremely high end business customers.

### Kingfisher Elite - This is a special charter service designed to offer private Jet, business Jet, eurocopter, charter aircraft service. This service positions itself for the customers who have very high value of time, and have high luxury needs. It provides services across 200 airports and also claims that they can find a smaller airstrip near the city if it doesn’t have airport and arrange services for the customer. They provide tailored services like custom designed luxurious interiors, exclusive check-in counters. They also have highly professional and experienced crew providing this service.

### Corporate Travel - Kingfisher Airlines targets this service to corporate travel customer base. They claim to understand and appreciate that the businesses have some unique requirements. In order to further add value they have business constituents specializing in Group Travel, Charters, Corporate credit card rewards in conjunction with American Express. A Relationship manager is assigned to take care of these services