

THE INDIGO STORY: “ON TIME, HASSLE FREE”¹

For us, not only was the sector difficult, but the physical infrastructure bottlenecks when we started 5 years ago complicated the problem even more. The third element was the customer perception of low-cost airlines—delayed or cancelled flights, dirty planes etc. So it wasn't about a one billion dollar idea—there was a series of small innovations.

—Aditya Ghosh, president, IndiGo²

With a recent government bailout of India’s national carrier, a once thriving independent airline looking as if it were close to folding, fuel prices at a long-time high, and even higher debt levels among carriers, the airline passenger industry in India was a mess. Yet there was one low-cost carrier (LCC) that was making money in 2013: InterGlobe Aviation or more simply IndiGo. This relatively new company had managed to work against the odds and grab market share from longer-established flyers. Still the weak rupee, depreciated by 15%, was sending a chill wind through the aviation sector, and growth plans would have to include opening new destinations, which would mean hiring more employees, opening more ticketing stations, and increasing costs. Could the airline continue its climb or would it be prudent to prepare for a hard landing?

¹ Josey Pulienthuruthel and Kushan Mitra, “Skywalker,” Business Today, October 2, 2011, <http://businesstoday.intoday.in/story/indigo-in-most-promising-companies/1/18666.html> (accessed November 22, 2013).

² Nikhil Menon, “How CEOs Like Harsh Mariwala, Aditya Ghosh, and Subodh Satyawadi Are Innovating Practices in India Inc,” *The Economic Times*, April 14, 2013.

This case was prepared by Senior Researcher Gerry Yemen and Oliver Wight Professor Elliott Weiss. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 2013 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. To order copies, send an e-mail to sales@dardenbusinesspublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation.

Commercial Airlines in India

Although India was the seventh-largest country in the world, there were only 82 public-use airports in 2013 and 35 of those were second-tier airports.³ There was a serious shortage of secondary airports. By comparison, the United States, with a population of roughly 314 million had 4,880 public-use airports.⁴ The government had plans to improve the airport infrastructure and focus on nonmajor metropolitan areas by introducing or repairing 30 airports by 2017.⁵

The number of airlines servicing those airports was limited as well. There was a time when most airline travelers could chose to fly on Air India or Indian Airlines; one offered domestic service, the other international, and both were state-owned. Before long, several private airlines staked out places in the sector, and in 2007, Air India and Indian Airlines were merged into one company. The first LCC, Air Deccan, launched in 2003 (and was later acquired by Kingfisher and then dropped as a LCC). By 2013, there were four LLCs that served India: GoAir, SpiceJet, JetLite, and IndiGo. The market of 10 India-based airlines competed to fly approximately 5 million passengers per month, a number estimated to increase to 7.5 million per month by 2020.⁶

The airline industry in India was laden with problems. To start, it was a country where trains and buses were more popular than planes to move people. Those who did fly paid comparatively low airfares. For example, the distance between Delhi and Mumbai is roughly 902 miles, slightly more than the distance between New York City and Atlanta, Georgia (865 miles). A one-way ticket for October 14, 2013 for the 902 miles in India was around USD55 on an India-based LCC and about USD119 on a U.S.-based LCC for a slightly lesser distance. On top of that, 2013 had seen an increase in airport fees, increase in competition, high taxes and cost of oil, inadequate infrastructure, and depreciated rupee. Making money in the sector was a difficult task (**Exhibit 1** provides operating financials on domestic airlines in India, and **Exhibit 2** provides fleet and employee size).

Taking Flight

The first sign of a new airline company in India was a purchase order for 100 Airbus A320s in 2005. Even more surprising than the seemingly random order was that it came from a travel company known as InterGlobe Enterprises. Not only was the order for several of the same aircraft, but each one had the same IAE V2500 engine. With that engine, the A320 could cruise

³ “India Tourism Report,” Business Monitor International, Q1 2013, 22–23 <http://marinelagheres.ro/wp-content/uploads/2013/02/India-Tourism-Report-2013.pdf> (accessed December 9, 2013).

⁴ “Overview Report to Congress: National Plan of Integrated Airport Systems (NPIAS) 2013–2017, Federal Aviation Administration, September 2012, http://www.faa.gov/airports/planning_capacity/npias/media/npias2013update.pdf (accessed October 10, 2013): 3.

⁵ <http://marinelagheres.ro/wp-content/uploads/2013/02/India-Tourism-Report-2013.pdf>.

⁶ Josey Puliyenthuruthel and Kushan Mitra.

at Mach 0.82, had a maximum fuel capacity of 23,860 liters, and could fly nonstop for up to 3,300 nautical miles.⁷ The aircraft could seat 180 passengers.

The individuals behind the order were InterGlobe's Rahul Bhatia (major shareholder) and Caelum Investments' Rakesh Gangwal (minority shareholder), a former US Airways executive. The negotiations and contract with Airbus were driven by Aditya Ghosh, a corporate lawyer who worked for Bhatia at InterGlobe. The new LCC would be based in Gurgaon, India, just outside of Delhi, India, and called IndiGo, a play on the words Go India.

IndiGo advertised its existence in print and on outdoor media (billboards, sides of buses, mall posters, etc.) with a Ready for Takeoff campaign in 2006. IndiGo's first flight was set to take place on August 4, 2006, using a leased Airbus painted with the IndiGo name. That first flight would be a genuine team effort and may have been symbolic of things to come. As it turned out, the ladder and tractor that allowed passengers to board and deboard planes was delivered the night before the inaugural flight. When employees realized the equipment was not in IndiGo colors, they quickly painted it and ran it up and down the tarmac to dry in time to be used the following morning. The maiden voyage departed Delhi, India and arrived in Guwahati, India.

IndiGo Airbus A320, June 8, 2012



Source: Magentic Manifestations,
http://www.upload.wikimedia.org/wikipedia/commons/1/1a/IndiGo_D_EL_CBE.jpg.

⁷ Airbus, <http://www.airbus.com/aircraftfamilies/passengeraircraft/a320family/a320/specifications/> (accessed September 5, 2013).

It took roughly 18 months for the first Airbus A320 to arrive, and more aircraft would continue to arrive at the rate of about one a month until the 100th plane was delivered in 2015. Part of the deal to purchase the A320s included the clause that, after six years, each plane would be returned.⁸ In addition, Airbus agreed that if there were any issues with Airbus parts, the manufacturer would be responsible.⁹ “That order got IndiGo a great price, which allowed the airline to actually book revenues on every aircraft it received instead of worrying about funds,” Kapil Kaul, CEO of the South Asia Centre for Asia Pacific Aviation, said. “Being fully funded and having a great business case, it was able to concentrate on brand building and achieving operational excellence.”¹⁰ By 2013, IndiGo had 70 aircraft in service.

Part of building the IndiGo brand included its first TV commercial targeted toward first-time or new airline travelers. The idea was simply that IndiGo was easy to use. The company wanted to connect with potential customers by highlighting IndiGo’s ticketless booking, low pricing, clean aircraft, fun packaging of onboard snacks (there were blue and pink tins for cookies and nuts), ramps¹¹ (no stairs), and concern for customers (airsick bags with Get Well on them), all the services it provided and believed made airline travel easier with IndiGo than with competitors.¹² All in economy class. The founders believed that just because their tickets were cheap, customers shouldn’t feel cheap when flying with their airline.¹³

In 2011, IndiGo ordered another 180 aircraft to be delivered between 2016 and 2025, which would bring the firm’s fleet to 280 aircraft (USD26 billion worth of planes). “I know these look like large numbers, but India is a hugely under-penetrated market,” Bhatia said. “We have just one commercial aircraft for 1.9 million people. The United States has one plane for every 50,000 people.”¹⁴ Two years later, Ghosh said the demand-supply gap in India had actually increased with one commercial airplane for every 3.1 million people.¹⁵

Despite purchasing hundreds of aircraft, IndiGo didn’t own a single one. Instead, IndiGo sold its Airbuses to various leasing companies, such as Allco Leasing and DAE Capital, and then

⁸ Mihir Mishar, “A Tale of Two Airlines: Kingfisher vs Indigo,” *Business Standard*, February 21, 2012.

⁹ There was indeed a problem with screws rusting in the Airbus 320 engine. While other airlines had to ground their jets to wait for repair, IndiGo’s were replaced immediately, according to Cuckoo Paul, “How Rahul Bhatia Found IndiGo Gold,” *Forbes*, November 3, 2010, <http://www.forbes.com/2010/11/03/forbes-india-how-rahul-bhatia-found-indigo-gold.html> (accessed September 30, 2013).

¹⁰ Josey Puliyeenthuruthel and Kushan Mitra.

¹¹ A couple years later, IndiGo was the first to replace stairs with ramps for airside boarding. Those with disabilities no longer needed carrying up stairs, those with cumbersome carry on could continue to roll it up the ramp, and elderly passengers or those with small children could more easily navigate onto the aircraft.

¹² Aninday Upadhyay, “Cool Branding Moves IndiGo From a Budget Airline to a Preferred Business Carrier,” *The Times of India*, March 21, 2013.

¹³ Aditi Saxton, “The IndiGo Brand Story,” *CNN Travel*, February 17, 2011, <http://travel.cnn.com/mumbai/life/brand-story-behind-indigo-044435> (accessed August 13, 2013).

¹⁴ Josey Puliyeenthuruthel and Kushan Mitra.

¹⁵ Tarun Shukla, “IndiGo Plans to Increase Fleet Size to Pre-Empt Competition,” *HT Media Limited*, April 1, 2013, via Factiva, (accessed December 2, 2013).

leased back the planes. This type of financial arrangement essentially meant that the depreciation of the new plane was passed on to the leasing company freeing up cash for operations that would normally have been invested in assets for IndiGo. “Whatever comes from sale and leaseback is amortized over the duration of the lease,” said Ghosh.¹⁶

Leasing also helped keep the fleet young. The average age of IndiGo’s fleet as of September 2013 was roughly 2.27 years, and the oldest aircraft was 5.9 years.¹⁷ Having a six-year lease meant IndiGo never had to undergo an expensive government-enforced D check every eight years, an item that was both expensive and often prevented its use until major repair was undergone.¹⁸ Over time, competitors claimed that the only reason IndiGo was profitable was because of its sale-lease-buyback approach to which Bhatia replied, “If sale and leaseback are the only formula to profitability, I don’t think we have IP rights on them.”¹⁹

Between leasing planes and its pricing strategy focused on break-even (which is the percentage of seats in service that must be sold at a certain yield or price to cover costs) rather than seat factors (the number of passengers on a flight divided by the number of available seats), IndiGo was able to become profitable by 2008.²⁰ A low employee to aircraft ratio of 100:1 helped curb the costs.²¹ But the company did invest in employee training through the I Fly learning academy. Under the guidance of more than 70 instructors, who specialized in safety, leadership, security, as well as functional area expertise such as cabin crew training, employees were groomed to provide service. “The spirit of IndiGo gets created at I Fly,” Ghosh said.²²

By 2012, IndiGo became the second-largest airline in India and held 26% of the market share and had ejected Kingfisher from the number one spot to become India’s leading carrier (**Figure 1**).²³

¹⁶ Mihar Mishra, “Our Overall Profit Has Come From Operations,” *Indian Express*, September 25, 2013.

¹⁷ Based on case writer calculations from fleet data offered at Planespotters.net, “Indigo Fleet Details and History,” <http://www.planespotter.net/Airline/IndiGo> (accessed September 24, 2013).

¹⁸ <http://www.forbes.com/2010/11/03/forbes-india-how-rahul-bhatia-found-indigo-gold.html>.

¹⁹ In the fall of 2013, Ghosh said that 89% of IndiGo’s planes were leased, and 90% of Jet Airways, 69% of SpiceJet’s, and 93% of GoAir’s were leased; see Cuckoo Paul, “Jet and Kingfisher’s Return Flight,” *Forbes India*, December 13, 2011, <http://forbesindia.com/article/boardroom/jet-and-kingfishers-return-flight/31082/1> (accessed September 26, 2013).

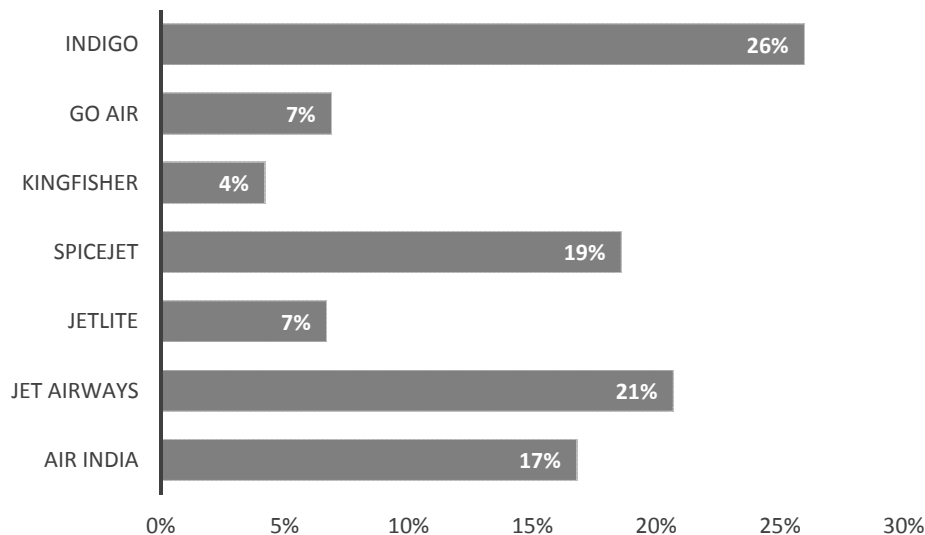
²⁰ Financial Express, “IndiGo President Earns Himself a Hefty Pay Hike,” November 16, 2012.

²¹ Financial Express.

²² Sudipto Dey, “I Don’t Lose Sleep Over AirAsia: Aditya Ghosh,” *Business Standard*, July 8, 2013, http://www.business-standard.com/article/companies/i-don-t-lose-sleep-over-airasia-aditya-ghosh-113070700494_1.html (accessed September 24, 2013).

²³ Business Monitor International, 22.

Figure 1. Market share, 2012.



Data source: <http://marinelagheres.ro/wp-content/uploads/2013/02/India-Tourism-Report-2013.pdf>.

Continually looking for cost savings, IndiGo added Sharklet, a wingtip device, in January 2013, that reduced drag and noise emissions by improving a plane's aerodynamics (by 3.5% to 5.5% depending on aircraft).²⁴ "We largely operate one of the world's youngest most fuel efficient fleets," Ghosh said, "and our investment in Sharklet will help reduce our fuel consumption even further."²⁵ The company estimated it would add about another 100 nautical miles on the same fuel amount (4% fuel reduction usage) or increase payload capability by up to 450 kilograms. "With high fuel prices and with a four percent fuel burn reduction, IndiGo's investment in the Sharklet will pay handsome dividends," said Airbus COO John Leahy, "We are delighted with IndiGo's choice to grow their airline with Airbus."²⁶

By the end of summer 2013, IndiGo served 28 cities domestically with many flights and five cities outside of India: Bangkok, Thailand; Kathmandu, Nepal; Muscat, Oman; and Singapore, Southeast Asia. IndiGo's network and flight timetables were aligned to Mumbai and Delhi with each flight averaging about an hour and a half stage length. The airline offered 422 flights daily (see **Figure 2** for passenger load factors). In the early part of 2013, a rumored

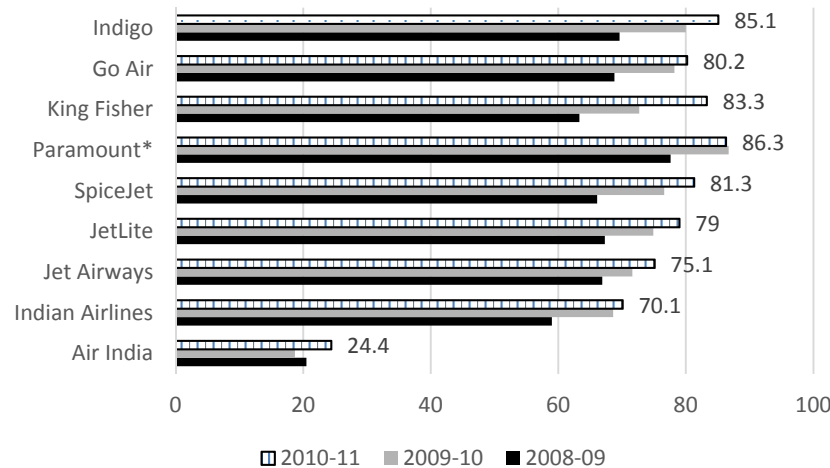
²⁴ The Boeing Company, "Wing Tip Devices," Aero, no 17, http://www.boeing.com/commercial/aeromagazine/aero_17/wingtip_devices.html (accessed August 5, 2013).

²⁵ IIFL, "IndiGo Becomes First Indian Airline with Sharklet Equipped A320," January 2013.

²⁶ India Infoline News Service, "IndiGo Becomes the First Indian Airline with Sharklet Equipped A320," January 29, 2013.

purchase order for 18 to 20 ART aircraft started talk that the airline would be adding regional runs to its routes, a speculation that Ghosh quickly dispelled.²⁷

Figure 2. Passenger load factors, 2008–2011.²⁸



*Paramount ceased operations in 2010.

Source: <http://www.dgca.nic.in/reports/stat-ind.htm>.

Ghosh: The Man Piloting Go India

Aditya Ghosh was 32 years old when he took over the top spot at IndiGo in 2008. He had been actively working with Rahul Bhatia and Rakesh Gangwal in a legal capacity (i.e., negotiating contracts, developing the business plan, and working with airports for allotments) since the beginning of the venture.²⁹ Ghosh had worked closely with the previous president, Bruce Ashby, whom he credited with teaching him much about the industry.

Visitors to corporate headquarters would find no receptionist to steer them toward the corporate communications department. Neither existed. There was no marketing department either. As much as Herb Kelleher's "fun-loving" personality underpinned the Southwest Airlines brand, Aditya Ghosh's unassuming approach fit IndiGo's. For example, when he traveled, Ghosh stayed in the same low-budget hotels as his flight crews but made it home whenever possible so

²⁷ Anindya Upadhyay, "IndiGo Plans Regional Airline to Connect Smaller Towns," *The Economic Times-Mumbai*, February 13, 2013.

²⁸ Passenger load factor is a measure of production compared to capacity. This is revenue passenger kilometers (RPKs) divided by available seat kilometers (ASKs). This is an efficiency measure with no consideration for pricing or profitability.

²⁹ Binoy Prabhakar, "How IndiGo's Aditya Ghosh Became the Only Airline Boss Still Flying," *The Economic Times*, June 4, 2012.

“we don’t have to spend money at hotels.”³⁰ Ghosh’s office was also modest and perhaps better described as a room stuffed with books. His uniform, which for the most part was a T-shirt, jeans, and an IndiGo ID card around his neck, seemed appropriate.

And Ghosh’s visits to other headquarters, such as the Prime Minister’s to discuss the industry crisis in 2012, were equally unpretentious. Unlike other airline executives who arrived in limousines, Ghosh arrived in an IndiGo-painted Maruti WagonR.³¹ Indeed, IndiGo used its Maruti WagonRs and Swift Dzires, and Tata Wingers from Tata Motors instead of limousines to shuttle executives and employees around.

Despite Ghosh’s hesitancy to be known externally (he said passengers don’t fly IndiGo because they know the president of the company),³² everyone knew Ghosh internally. He met with every employee at least once a year and continued to interview all cabin crew trainees, even as the firm grew much larger.³³ Ghosh explained why:³⁴

You walk into any gathering and anyone who’s ever flown will tell you how to run an airline. Yet, you have to think of something different. But ideas come from talking to people who are on the front-line. How do you constantly hear those thousands of voices from your team? That can’t be on the end of my list...Ideas come from the ground, not the boardroom.

How It Worked

In contrast to other LLCs in India that offered low-fare and full-service choices, the fare structure was as simple as IndiGo described: “one type of fare—low.” The airline claimed that customer service would be professional, always, and that delays and cancellations would be dealt with honestly.³⁵ The airline offered no frequent flyer or loyalty programs. And there was no onboard entertainment but that didn’t mean the airline wasn’t into having some fun. Although the flying experience was meant to be light-hearted, it just didn’t include hiring employees who cracked jokes for passengers. IndiGo’s plan was to excel at providing a clean, neat aircraft, good onboard service, and being on time. “For us a clean galley, clean carpet, and clean tray table is as important as the maintenance of the aircraft,” Ghosh said.³⁶ It was the service and low price point that made it seem light-hearted.

³⁰ Prabhakar.

³¹ India’s WagonR is a popular relatively inexpensive energy efficient car.

³² Prabhakar.

³³ Prabhakar.

³⁴ Menon.

³⁵ From the IndiGo website, <https://www.google.com/#q=IndiGo+website&tbm=nws>.

³⁶ BangaloreAviation video: “IndiGo President Aditya Ghosh Talks About Why Some Airlines Fail and Some Succeed,” February 18, 2013, <https://www.bangaloreaviation.com/2013/02/video-indigo-president-aditya-ghosh.html> (accessed September 24, 2013).

The booking process was ticketless, and all bookings were nontransferrable. Electronic bookings and payments could be made at the firm's website, through mobile or PDA applications, over the telephone, at any IndiGo airline counter, and with certain travel agencies. The company's newest sales strategy in 2013 included permitting customers to pay off their tickets using credit card payments stretched out over monthly installments.

Changes and cancellations were allowed up until two hours before the flight was scheduled to depart (for a fee). If a booking was made online, customers paid a convenience fee of INR100 per person. Anyone requesting duplicate itinerary printouts at airline reservation counters was charged INR50 per printout.³⁷ If IndiGo had to cancel or delay service for more than three hours, customers were provided the choice of a refund, credit for future travel, or rebooking on another IndiGo flight at no additional cost. Passengers were also charged an airline fuel fee that differed depending on where the flight traveled and the booking and travel dates. In addition, the company charged a Common User Terminal Equipment fee for flights taking off at certain airports at a charge of INR50 per customer.

Unlike some other LCCs, IndiGo offered assigned seating at airport check-in counters and through web check-in without cost. For those willing to pay an extra fee there was IndiGo Seat Plus, an advanced seat assignment that could be purchased when booking or following booking of travel. For a time, the airline tried to charge an extra fee for those passengers prebooking middle seats (INR100 on domestic and INR200 for international), but the outcry was loud, particularly among travelers with children who wanted to sit together. That policy was dropped almost as quickly as it was implemented.

Clearly customers were willing to pay for services, just not for sitting together as families. For example, a business traveler who flew a lot with IndiGo recognized Ghosh in the Mumbai Airport one day. He suggested that much like Disneyland's FASTPASS service that allowed attraction goers to pay extra for less time spent standing in line, IndiGo should offer a fast line for those willing to pay. Out of that exchange came Fast Forward, a priority ticket and baggage check-in in several metro airports around India. Customers paid INR200 to check in ahead of others waiting in counter lines.

Regardless of whether a customer paid for Fast Forward or not, once the flight ended, there was no connection for IndiGo-carried baggage to other airlines. And even connectivity between two IndiGo flights was limited. If passengers had flights to catch on another airline, they had to pick up their bags at the baggage claim area and check back in with that airline.

As far as passengers toting their own bags, each customer was allowed one handbag no larger than 7 kg and 55 cm to 35cm wide and 25cm high as carry-on. Passengers could also carry a purse or a laptop onboard. Checked baggage up to 15 kg domestically and 20 kg internationally

³⁷ INR 1 = USD 0.015 or USD1 = INR66.01 on September 24, 2013.

per adult and child was free. If their baggage was in excess, customers would be charged extra (**Table 1**).

Table 1. IndiGo fees and refunds for baggage.³⁸

Weight in Kilograms	INR Fee
5	500
10	1,500
Over 10	250 per kg
Oversize item	1,000 per item
International extra kg	525
Firearm	5,000 per item
Excess carry-on luggage	250 per kg
Lost or damaged luggage	200 per kg with max of 3,000

Data source: IndiGo website, <https://content.goindigo.in/Information/FAQ>.

Each IndiGo flight provided complimentary drinking water and charged for food and nonwater beverages. No hot food was served, which meant no ovens or cutlery onboard and which saved on fuel. Passengers were allowed to bring their own food and nonalcoholic beverages onboard with them. Much to Ghosh's surprise, however, the food offered for purchase did matter to customers. He learned this while leaving Hyderabad International Airport one day when a customer asked if IndiGo had stopped serving its cheese and spinach sandwich. It turned out it had, and this customer claimed it was one of the reasons he flew with the company (see **Figure 3** for passenger complaints). That interaction brought the cheese spinach sandwich back, but more importantly, it changed the food service policy to alternate the menu on a monthly basis so customers with preferences such as the cheese sandwich eater would only have a 30-day wait at the most for its return.³⁹ Another passenger described her experience with the food onboard:⁴⁰

The collector boxes are only one thing, all their food packaging is unique to the food items they carry, be it the tins or the disposable sandwich wrappers, they even made you want to try a new sandwich in every flight just to see what all the packages look like, from the cardboard pop art style corn chips tubes, the vegetable sub sandwich that comes in a blue box with a yellow submarine on it, and a little story of a yellow sub that wanted to learn how to fly instead of swim, to some Indian wrap thing that comes packaged in a giant matchbox with some Indian pop art design and fun lines to read. They make your 170+⁴¹ sandwich

³⁸ INR 1 = USD 0.015 or USD1 = INR66.01 on September 24, 2013.

³⁹ Binoy Prabhakar, "Lessons CEOs of IndiGo, GoAir, AirAsia & Virgin Atlantic Picked Up From Chatty Passengers," *The Economic Times*, April 22, 2013.

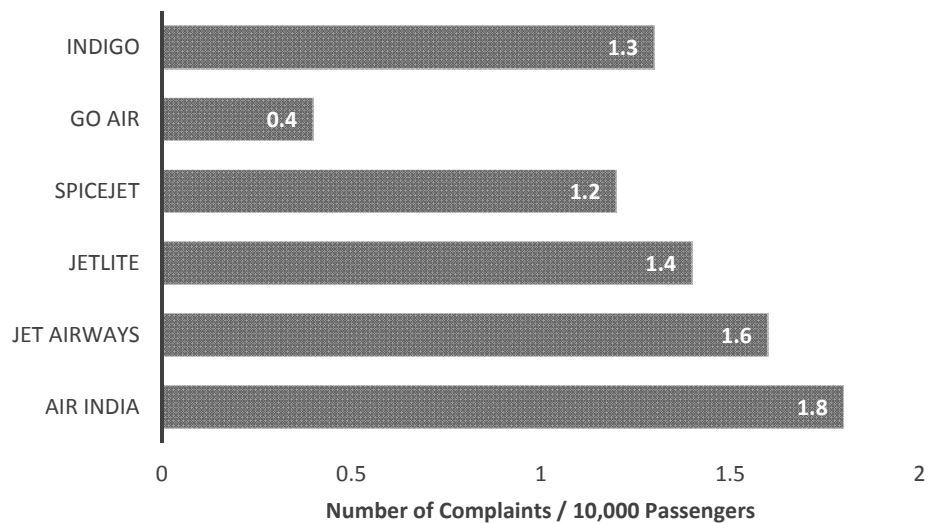
⁴⁰ "Cyn's Adventure in India," blog, <http://cynublog.blogspot.com/2012/07/why-indigo.html> (accessed August 13, 2013).

⁴¹ 170+ refers to the type of packaging, which is simply a box that is collapsible along one or more fold lines.

FUN and they also do taste good, much better than some I had in other eateries on the ground.

I'm willing to bet that people flying IndiGo are more likely to buy food than on other low costs just because they made the food appealing in so many ways, and that, ladies and gents, is how a low-cost airline makes some of its profit, it's all in their interest to make passengers want to have food on board, and that if you want to have some edge over all the other low costs the last thing you want to do is cut down too much on service.

Figure 3. Total number of passenger complaints on domestic airlines, May 2013.



Source: Directorate General of Civil Aviation (DGCA) Statistics, Passenger Complaints, <http://dgca.nic.in/reports/rep-ind.htm>.

From Good Service to On Time

With a few years of experience and data under its wings, IndiGo shifted its focus to the airline's on-time performance. To aid its success in being on time, as well as save money, IndiGo used technology made up of digital data links to communicate between its planes, ground stations, and satellites. An IndiGo spokesperson described it:

Before departure of every IndiGo flight, an automatic message is triggered from the aircraft via ACRS [Aircraft Communications Addressing and Reporting System] to our operation control centre (OCC)—and immediately the same departure time gets recorded in the software. Likewise, the moment an aircraft lands at the destination, an automatic message is triggered from the aircraft to the OCC. These timings are recorded “real time” automatically through ACRS, i.e.,

without human intervention. Hence, our On-Time Performance is diligently monitored for every flight—real time.⁴²

In fact, the company launched What the Fudge, an advertisement campaign to differentiate itself from other airlines claiming competitors were bound to have made errors in recording its on-time performance because data were manually recorded. Ghosh spoke to the firm's embracement of technology:⁴³

As a business so focused on cost, it doesn't come naturally to go make big investments because the tendency is to go save costs in a lot of little places. But the problem with penny-pinch is you are pound-foolish. And for us, whether it was our reservations system, our operation control center, our dispatch system, from day one because we had the advantage of knowing we were going to get 100 to 150 planes, we invested upfront for anything that was scalable but had a good impact on productivity. As long as it passes those two filters, we invested a lot in technology. We are the only airline to have a completely centralized operations control center. Every plane all the time is monitored, and we know exactly where the plane is, what are the maintenance actions on the plane, so when on time, which is what we are known for, is measured, and it says it is 16:21, it is 16:21, there is no human error—IndiGo standard time.

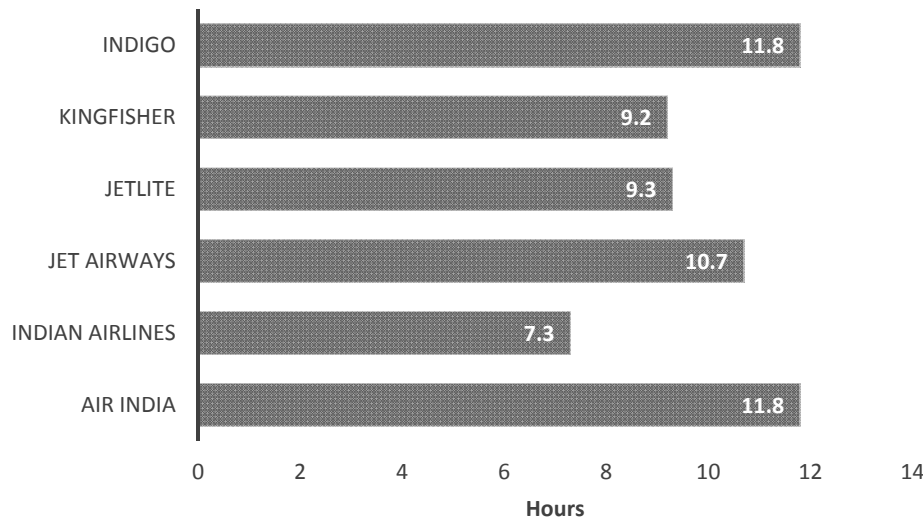
Aircraft utilization was an industry metric that measured the number of hours an aircraft was in flight during a 24-hour period. Almost everything an airline did affected those rates including the aircrafts used (fleet program), its maintenance programs, labor, passenger reservations, flight operations, ground operations, and factors the airline didn't control such as air traffic controllers and airport authorities (**Figure 4** shows for daily revenue hours). The more time spent in the air, the more money an airline made. Although generally IndiGo planes were allotted 30 minutes for turnaround time, they were capable of decreasing that number. One pilot explained:

Since it is not a full-service carrier, not much cleaning is required. There are no trays to be collected. So even if there is a late arrival, the ground staff are able to turn around the aircraft in 15 minutes. Also there is a stress on timely departures, and it is monitored on a daily basis.⁴⁴

⁴² Aneesh Phadnis, "Indigo Flaunts On-Time Performance Muscle," *Business Standard*, March 23, 2012.

⁴³ BangaloreAviation video.

⁴⁴ Phadnis.

Figure 4. IndiGo average daily revenue hours (year-end March 2011).⁴⁵

Source: DGCA Report Table 3.26, <http://dgca.nic.in/reports/stat-ind.htm> (accessed October 10, 2013).

The emphasis toward on-time performance was followed by services that appealed to business travelers such as connections to public transportation and new flights to popular cities. IndiGo offered bundled tickets for corporate business that included the onboard meal and premium seat choices. The airline partnered with the Carzonrent cab booking service so that customers booking flights could also arrange for cab service or car rentals at a reduced price.⁴⁶ “This partnership reflects what IndiGo stands for—low fares, yet an unmatched customer experience,” Ghosh said, “and I am sure that the same would be made available through seamless transfers to and from the airport to all our passengers. That strategy paid off. In March of 2013, Rajan Mehra, an aviation expert, said, “The mix of corporate and leisure travelers for IndiGo has increased to 60:40.”⁴⁷

Speed Up or Stay the Course

Going into its seventh year of service, Ghosh was aware that he had to keep a long-term vision in mind. The airline’s simplified strategy and disciplined business plan would be increasingly difficult to adhere to as business grew. According to a regional head at the Centre

⁴⁵ Average daily revenue hours is an efficiency measurement that indicates the number of hours in a 24-hour period that the airline’s planes were in the air.

⁴⁶ India Infoline News Service, “IndiGo Ties Up with Carzonrent to Offer Seamless Cab Booking Services,” December 10, 2012.

⁴⁷ Upadhyay.

for Asia Pacific Aviation, IndiGo excelled at providing a “clean, neat aircraft, good onboard service,” and being “on time.”⁴⁸ Yet that seemed to be little comfort to executives at IndiGo as Ghosh focused on improvement:

In our business, 99.9% of the time, the senior-most person a customer meets is a flight attendant or customer service agent. Can that person be responsible and accountable and have the power to act like the CEO? We’re not there yet, but that is empowerment for us—making that person feel like Aditya Ghosh.⁴⁹ We are only a five-and-half-year-old pip-squeak of an airline. Look at Southwest—they have been doing this for 40 years.

And Ghosh added, “To do that for years to come...that is the real test.”⁵⁰

⁴⁸ Anurag Kotoky and Tony Munroe, “IndiGo Escapes Worst of Indian Airline Turbulence,” *Reuters News*, March 5, 2012.

⁴⁹ Menon.

⁵⁰ Prabhakar.

Exhibit I

THE INDIGO STORY: “ON TIME, HASSLE FREE”

Financial Summary of All Private Domestic Airlines

	2006-07			2007-08			2008-09			2009-10			2010-11		
	Revenue	Expense		Revenue	Expense		Revenue	Expense		Revenue	Expense		Revenue	Expense	
(INR millions)															
Jet Airways	70,578	71,098.2		88,223.9	93,995.9		126,914.4	125,818.7		103,672.6	101,666.5		127,146.3	120,346.0	
JetLite	20,153.3	25,715.4		15,055.2	19,147.0		16,009.2	20,512.5		16,812.6	16,203.4		17,610.7	18,220.5	
Air Deccan*	21,423.0	24,960.7		15,454.4	28,875.2		-	-		-	-		-	-	
SpiceJet	7,574.4	9,241.0		12,949.9	15,595.3		16,894.5	21,200.3		21,810.8	21,204.8		22,420.9	-	
Kingfisher	15,084.6	20,415.3		26,875.2	35,051.1		52,691.7	73,297.4		50,679.2	61,845.8		63,596.4	65,963.3	
Paramount**	2,549.8	2,306.6		2,680.1	2,449.1		3,736.7	3,452.7		-	-		-	-	
GoAir	3,482.6	5,634.6		8,98.6	6,589.4		-	-		8,961.2	9,088.0		-	-	
IndiGo	2,162.8	3,904.2		11,328.3	13,451.1		18,763.6	18,582.6		26,015.0	21,548.0		38,254.1	32,229.2	

* In 2007, Air Deccan was acquired by Kingfisher.

** Ceased operations in 2010.

Data sources: “Financial Summary of all Private Domestic Scheduled Airlines for the Last Ten Years,” <http://en.wikipedia.org/wiki/SpiceJet>; Directorate General of Civil Aviation Yearly Statistics, Air Transport Statistics for the Year 2011–2012, Part II, Table 2.54, <http://dgca.nic.in/reports/rep-ind.htm>.

Exhibit 2

THE INDIGO STORY: “ON TIME, HASSLE FREE”

Summary of Fleet Size and Employees 2008–2011

	2008-09			2009-10			2010-11		
	Fleet Size	Pilots/Co-Pilots	Total Personnel	Fleet Size	Pilots/Co-Pilots	Total Personnel	Fleet Size	Pilots/Co-Pilots	Total Personnel
<i>Air India</i>	31	-	-	33	-	-	29	-	-
<i>Indian Airlines</i>	72	-	-	76	-	-	77	-	-
<i>Jet Airways</i>	88	1,110	13,078	88	993	11,221	98	1,234	18,144
<i>JetLite</i>	24	205	1,365	25	211	1,204	18	200	1,791
<i>SpiceJet</i>	19	-	-	20	-	-	-	-	-
<i>Kingfisher</i>	83	1,025	8,258	66	849	7,471	66	649	7,231
<i>Go Air</i>	6	-	-	8	-	-	-	-	-
<i>Indigo</i>	19	255	2,180	25	332	2,691	38	424	3,570

Data source: <http://dgca.nic.in/reports/rep-ind.htm>.