

### CONSULTING & ANALYTICS CLUB INDIAN INSTITUTE OF TECHNOLOGY, GUWAHATI

PRESENTS

# MARKET ENTRY STRATEGY FOR EUROPEAN AIRLINE

TEAM FAB FOUR



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# 

## AIRLINES

## About X

- enter the Indian Domestic Market.
- Low- Cost Airline.
- industry like freight.
- Hyderabad, Chennai, Kolkata.

# COMPANY- X

• The given airline company- X is an established brand of Europe trying to

• Focussed On Long term Growth rather than quick success. • Has no problem entering into different sectors within the airline.

• Wants to target major cities initially- Delhi, Mumbai, Bengaluru,

# COMPANY- X

AIRLINES

- As a renowned and prominent European brand, the company possesses robust financial strength to invest generously.
- From the initial stages, we have targeted a strong seat turnaround rate of 70 to 75%, facilitated by industry-driven marketing campaigns.
- Our pricing strategy is based on the GDS model, utilizing multiple metrics to determine the average cost of tickets sold.
- We have also considered the potential for joint ventures and various  $\bullet$ collaborations throughout our tenure in the market.
- For the break-even analysis, we have accounted for both fixed and variable costs, anchoring our estimates on the operational benchmarks

## Assumptions

of an Indian airline.

# MARKET ENTRY STRATEGY

The optimal strategy is to form a 49-51 joint venture with the GMR Group. This partnership is ideal because GMR Group, while not operating any airlines, has a strong presence in airport ownership, maintenance, and security. Their expertise extends to air-related services such as MRO. Additionally, GMR Group's current projects indicate their interest in such a mutually beneficial collaboration.



The venture's costs are projected to be moderate, shared with GMR Group. Utilizing GMR's airport ownership will notably reduce operational expenses. Therefore, Company X may strategically launch flights from GMR-owned airports



Control of the joint venture will be shared. This arrangement will be highly advantageous, as Company X will have substantial influence in all decision-making processes.



The time to market for the venture will be significantly reduced, thanks to the joint venture with GMR Group. GMR's expertise in airport-related works will ensure that all necessary processes are efficiently managed, expediting the launch of operations.

# Key Advantages of this Market Entry Strategy

X

## • The company will be capable of withstanding government

**COMPANY X** 

- restrictions of less than 49% ownership by foreign airlines.
- Entry into the Indian domestic market as a passenger airline.
- Can certainly consider freight entering into transportation as well.
- Partnering with an Indian company will help us gain favor with the local population
- Access to technicians and engineers from the GMR School of Aviation will streamline our hiring process and reduce costs. Additionally, having the ability to maintain and repair our aircraft in India will further contribute to cost savings.
- Can leverage GMR's expertise in the field of Maintenance, Repair, and Overhaul (MRO)
- Can provide exceptional services to customers by leveraging the airports owned by GMR

**G**AR

- services.
- for pilots.

# **GMR Group**

• This venture will provide a new investment portfolio for GMR Group, as they have not previously been involved in the airline business. • This venture will provide a significant boost to their logistics sector, particularly in air freight

• The GMR group may also consider entering the pilot training sector, which would benefit the venture by improving placement opportunities

• Enhance their brand reputation and visibility.

## Why not Greenfield Investment!

- Embarking on a Greenfield Investment would necessitate building operations from the ground up, which might not be prudent for a European company like X.
- The lack of familiarity with Indian customers and the considerable time required to establish a presence from scratch could pose significant challenges.
- The Indian government does not permit foreign airline companies to acquire more than a 49% stake in Indian Aviation market.
- No suitable acquisition target exists in the current market that would significantly benefit our operations. Additionally, other airline companies are unlikely to entertain acquisition offers.







# TAM

Understanding TAM (Total Addressable Market) is crucial for any business, particularly in the context of the airline industry in India. Currently, the domestic sector alone accommodates approximately 153 million passengers annually. Specifically focusing on the six major cities– Mumbai, New Delhi, Kolkata, Hyderabad, Bangalore, and Chennai–this market segment comprises about 37 million passengers.

Company X aims to capture a significant share, targeting at least 25% of this market. Looking ahead, the Union Civil Aviation Minister Jyotiraditya Scindia has projected substantial growth, anticipating the domestic passenger volume to reach 300 million annually by 2030, up from 153 million in 2023.

> Freight/Package Transport---->112 Crore ₹ (Yearly) TAM----> 153 Million(current) TAM----->300 Million(2030) TAM(Revenue)---->25900 Crore₹ TAM(Revenue)---->64300 Crore₹(2030)

# SAM

The SAM (Serviceable Addressable Market) represents the portion of the TAM (Total Addressable Market) that aligns with the specific targeting criteria of a business.

In the context of Company X's market entry strategy into the Indian airline industry, it excludes segments preferring full-service flights and those opting for private airlines and aircrafts. These segments, comprising approximately 11.7% and 0.085% of the market respectively, prioritize premium services and are not initially targeted. This strategic focus allows Company X to concentrate efforts on capturing a significant share of the broader market interested in other service offerings.

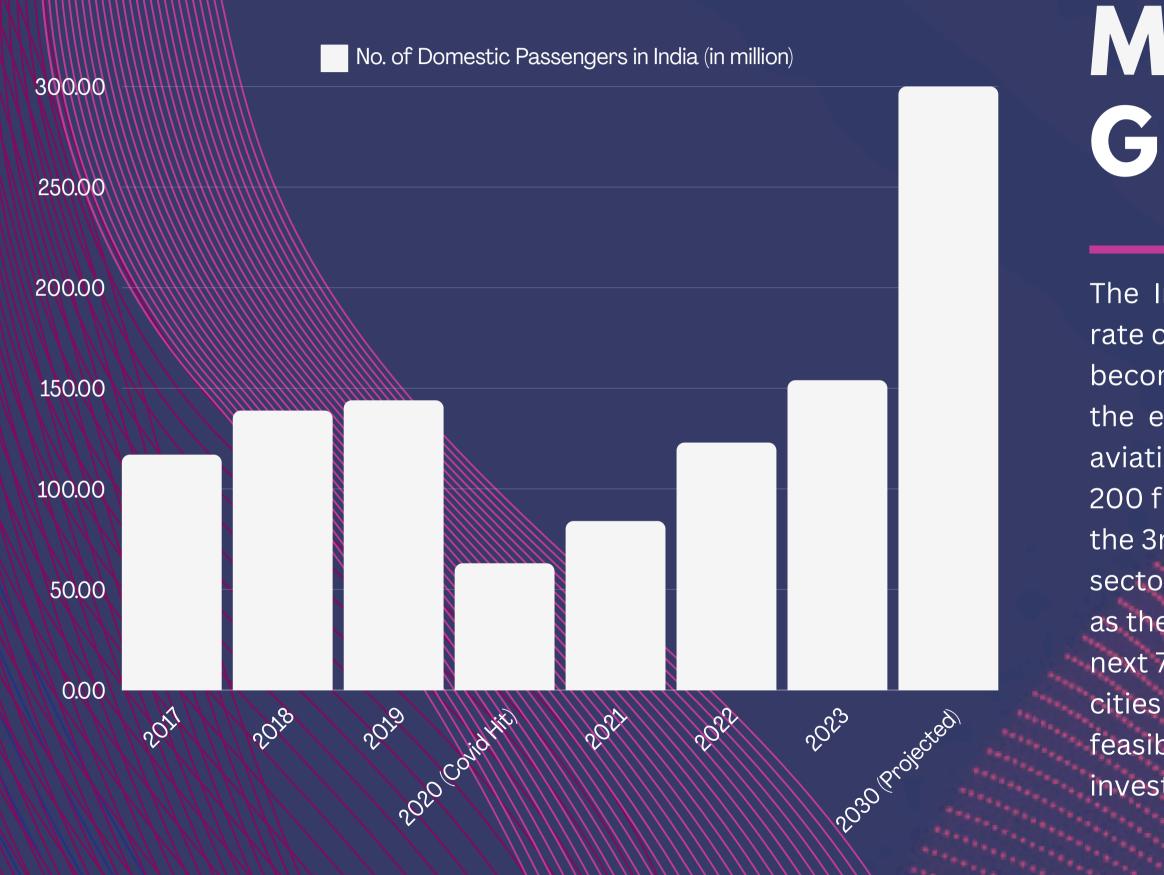
> SAM---->135 Million(Current) SAM---->264.9 Million(2030) SAM(Revenue)--->22869.7 Crore₹ SAM(Revenue)--->56776 Crore₹(2030)

# SOM

The SOM (Service Obtainable Market) represents the capacity of Company X to serve the market upon entry. In this case, Company X plans to initiate operations with 15 routes connecting the 6 major cities in India. Each city will have 3 arrivals and 3 departures daily, totaling 90 flights per day.

Utilizing Airbus A-321 NEO aircraft with a seating capacity of 180 customers per flight, and assuming flights will be filled to 75% capacity initially, Company X anticipates serving approximately 12,150 customers daily. This initial SOM accounts for approximately 3.054% of the TAM, projected to grow annually at a compound annual growth rate (CAGR) of 17.5% until 2030.

This growth trajectory suggests expanding operations and enhancing market penetration beyond the initial phase, aligning with strategic goals to increase profitability and market share in the Indian airline industry.



# MARKET GROWTH

The Indian domestic market is growing at a annual rate of more than 20% currently and is promised to become a market catering 300 million passengers by the end of 2030. The Indian government in the civil aviation vision 2040 promised to the operation of 200 fully equipped airports in the nation making it the 3rd largest nation in terms of no of airports. The sector also shows a promising growth in the revenue as the overall Market Cap would double in just the next 7 years. The connecting of smaller towns and cities and the governments aim to make air travel feasible we are looking at a promising market to invest and enter in.

# PESTEL ANALYSIS

### POLITICAL

1. The Indian government has implemented several policies to boost the aviation sector, such as the **UDAN** (Ude Desh ka Aam Naagrik) scheme aimed at making air travel affordable and enhancing connectivity to underserved regions.

2. International agreements and treaties impact the number of international flights that can operate to and from India, indirectly affecting the domestic market. India as a nation having good international relations with a majority of the europeon countries would be benefecial

### ENVIRONMENTAL

Airlines are increasingly adopting sustainable practices, such as using biofuels and reducing plastic use, to appeal to environmentally conscious consumers. Entering a market such that of India it is absolutely crucial to look at the growing young population who are serious about the rising tensions in the environmental realm. **Joint venture benefits:** Regular collaboration with GMR energies to help in fullfilling the environmental goals.

### SOCIAL

Demographic trends: A large and growing middle class, along with a young population, boosts demand for air travel.
 Urbanization: Increasing urbanization and development of tier 2 and tier 3 cities drive demand for better connectivity, benefiting domestic airlines.
 Consumer Preferences: There is a growing preference for air travel over other modes of transport due to time efficiency and competitive pricing.

**Tourism Growth**: An increase in both domestic and international tourism drives demand for air travel.

#### Continued.....

# PESTEL ANALYSIS

## **TECHNOLOGICAL**

Digitalization: The use of digital platforms for ticket booking, customer service, and operational management has streamlined processes and enhanced customer experience.

IT and Telecommunication :Starting in India, it will be easy to get IT and tech support, plus seamless customer support can be easily outsourced in the nation. customer support can be easily outsourced in the nation.

Benefits of Joint Venture: Having a joint venture witht GMR industries is highly beneficial as they have IT systems and management relations already setup in the nation.

## ECONOMIC

Economic Growth: India's growing economy increases disposable incomes, allowing more people to afford air travel.

**Currency Exchange Rates:** The Indian rupee's exchange rate can affect the cost of imported aircraft and parts, as well as operational costs for international routes.

Competition and Pricing: Intense competition among domestic airlines can lead to price wars, affecting profitability. Low-cost carriers (LCCs) are particularly influential in setting market prices.

## LEGAL

**Operation and Hangers:** The biggest problem for the international players to enter the nation was the law which inhibits them from fully controlling the operation process and curbs the use of the hangers. By coming up with a joint venture with GMR the airline can thrive and have authority over its operations making it a smooth entry.

Aviation Laws: Adherence to national and international aviation laws and standards is mandatory, impacting operational flexibility.

Labor Laws: Compliance with labor laws, including working conditions, wages, and employee benefits, is essential for smooth operations.

### Mapping the Customer Journey



$\downarrow$	Awareness	Consideration	Booking
Channels (mediums)	<ul> <li>Online Ads</li> <li>Social Media</li> <li>Travel Blogs</li> <li>Words of Mouth</li> </ul>	<ul> <li>Airline website comparison sites</li> <li>travel agencies</li> </ul>	<ul> <li>Airline website</li> <li>mobile app</li> <li>third-party booking sites</li> </ul>
<b>Touchpoints</b> (Interaction Points)	<ul> <li>Google search</li> <li>Social Media Ads</li> <li>Travel blogs</li> </ul>	⊕Airline Website     ≦ Skyscanner     Travel Agencies	<ul> <li>Airline Website</li> <li>Mobile App</li> <li>Payment Gateway</li> </ul>
<b>User Actions</b> (Activities)	<ul> <li>See Ads</li> <li>Read reviews</li> <li>visit the airline's website</li> </ul>	<ul> <li>Compare prices</li> <li>check flight schedules</li> <li>read policies</li> </ul>	<ul> <li>Select flights</li> <li>input details,</li> <li>make payment</li> </ul>
<b>Emotions</b> (Mood Meter)			NEUTRAL
<b>Possible</b> <b>Solutions</b> (Opportunities to improve the experience)	<ul> <li>Targeted social campaigns</li> <li>Optimize airline SEO</li> <li>Collaborate with influencers</li> </ul>	<ul> <li>Clear pricing</li> <li>detailed flight info</li> <li>customer testimonials.</li> </ul>	<ul> <li>User-friendly booking</li> <li>Booking promotions</li> <li>Multiple payment options</li> </ul>

Typical Traveler



- Clear instructions reminders.
- Good seating
  entertainment
  attentive service
- baggage claim
- feedback collection.

- Encourage sharing
   experiences
- incentives for referrals
- loyalty program



# Aditi Sharma

Age: 21 **Occupation:** Student Location: Mumbai **Income Range:** Dependent on family **Education:** Bachelor's in Arts

#### **GOALS**

- Travel within a tight budget
- Have a smooth and safe journey

#### **NEEDS**

- Low-cost fares
- options
- Reliable Wi-Fi and charging ports

#### **FRUSTRATIONS**

- Hidden costs and fees
- Poor customer service

Aditi Sharma is a dedicated student pursuing a Bachelor's degree in Arts. She frequently travels by airplane to visit her family and for educational purposes, always seeking comfortable yet affordable travel options. Balancing her academic commitments with her travel needs is her top priority.

- Travelling Frequency: 2-3 times per year
- Travelling purpose: Educational trips, visiting family

### **Travel Preferences:**

• Airline Preference: Low-cost carriers • Booking Channel: Student travel agencies, online platforms • Additional Services: Discounted fares, flexible booking options

• Flexible booking

#### **BEHAVIOUR**

- Looks for deals and discounts
- Uses social media to research airlines



# Akash Kumar

Age: 45 **Occupation:** Businessman Location: Chennai **Income Range: 20,00,000+ per yr Education: MBA** 

#### **GOALS**

- Reach destinations on time
- Conduct business smoothly without travel disruptions

#### **FRUSTRATIONS**

- Flight delays and cancellations
- Inadequate in-flight facilities

Akash Kumar is a businessman who travels for essential purposes, prioritizing comfortable and timely flights. He values the simultaneous availability of tickets to ensure smooth and efficient travel for his business commitments.

- Airline Preference: Full-service carriers • Booking Channel: Corporate travel desks, airline websites • Additional Services: Business class, lounge

  - access

#### **NEEDS**

- Punctual flights • Good connectivity and layover options • Efficient customer

- Travelling Frequency: 10-12 times a year
- Travelling purpose: Business meetings and conferences

### **Travel Preferences:**

#### **BEHAVIOUR**

- Prioritizes punctuality and reliability
- Often books lastminute flights

service



# Sunita Mehra

### (Person with a disability)

Age: 68 **Occupation: Retired Teacher** Location: Delhi **Income Range: Pension and Savings Education: MA in English** 

#### GOALS

- Travel comfortably and safely
- Receive necessary assistance throughout the journey

#### **FRUSTRATIONS**

- Lack of assistance for disabled passengers
- Poor communication and information

Sunita Mehra, a retired teacher who requires a wheelchair, travels to visit family and go on pilgrimages. She prioritizes comfort and safety in her journeys. Sunita seeks travel options that accommodate her mobility needs.

- Airline Preference: Airlines known for good customer service

#### **NEEDS**

- mobility with extra legroom
- Assistance with • Comfortable seating • Priority boarding and support

- Travelling Frequency-Once a yearr
- Travelling purpose: Visiting family, pilgrimage

#### **Travel Preferences:**

- Booking Channel: Travel agents, family
  - assistance
- Additional Services: Mobility assistance,
  - priority boarding

#### **BEHAVIOUR**

- Prefers airlines known for good customer service
- Requires clear instructions and assistance



# **Ravi** Patel

Age: 34 **Occupation: IT Professional Location:** Bangalore **Income Range:** ₹10,00,000 -₹15,00,000 per annum **Education: Btech in CSE** 

#### **GOALS**

- Create Memorable Family **Experiences:** Aims to create lasting memories through family travel adventures.
- Seeks hassle-free travel experiences that cater to both adult and children's needs.

#### **FRUSTRATIONS**

- Ensuring Kids' Comfort: Challenges in ensuring the comfort and entertainment of young children during flights.
- Managing Family Logistics

Ravi Patel, a 34-year-old IT professional from Bangalore, travels 4-5 times a year for leisure and adventure with his wife and two young children. He also travels for work, seeking comfortable, child-friendly airlines, easy booking processes, and responsive customer service.



### **Travel Preferences:**

#### NEEDS

- Comfortable: Spacious, childfriendly
- Easy Booking: Simple, quick
- Reliable Support **Responsive service**

Travelling Frequency- 4-5 times a yearr

Travelling purpose: for work and Adventure with Family

• Travel Preferences:

• Airlines: Comfort, child-friendly amenities • Booking: Online agencies, family deals • Services: Travel insurance, extra baggage

#### **BEHAVIOUR**

- Family-Oriented: **Prioritizes family** comfort
- Efficient: Values punctuality
- Tech-Savvy

## **CUSTOMER REVIEWS AND ASPIRATIONS**

Over recent years, there has been a noticeable decline in the quality of domestic airline services in India, which has become a significant concern for passengers across various demographics. Addressing these issues is pivotal not only to improve customer satisfaction but also to shift the prevailing mindset within the market. Key pain points include inadequate seating comfort, low-quality meals, staff demeanor, restrictive baggage policies, inefficient boarding procedures, and aircraft cleanliness. These

Key pain points include inadequate seating comfort, low-quality meals, staff demeanor, restrictive baggage policies, inefficient boarding procedures, and aircraft cleanliness. These shortcomings are often overlooked by existing low-cost carriers focused primarily on profitability, creating an opportunity for Company X to differentiate itself. Company X aims to provide comprehensive solutions to these issues while maintaining competitive pricing similar to Indigo. By prioritizing passenger experience and gradually achieving profitability, Company X plans to capture a substantial market share and foster long-term customer loyalty in the Indian aviation sector. This strategic approach not only addresses current market deficiencies but also positions Company X as a leader in quality-driven, affordable air travel services.

### **Competitor Analysis-1**

## The Secrets Behind IndiGo's Reign Over the Indian Domestic Aviation Market

- Adopted a low-cost, no-frills model focusing on efficiency and cost control, appealing to India's price-sensitive market.
- Use of Sales- Lease out Model.
- Maintains a young fleet of Airbus A320 aircraft, which helps reduce maintenance costs and fuel consumption.
- IndiGo's exclusive use of A320s simplifies crew training and maintenance, as all pilots and engineers are trained on the same aircraft type, reducing operational disruptions and costs.
- Extensive Network and High Frequency of flights.
- Introduced features like online booking, hassle-free check-in processes, and clean and comfortable cabins.
- Has maintained a strong financial position, avoiding the financial troubles that have plagued some other airlines in India.

### IndiGo has market share of 55-60% In India (maximum within a country)



### **Competitor Analysis-2**

## How SpiceJet, Akasa Air, and AirAsia India Have **Thrived in the Indian Aviation Market**

- Strong Financial Backing
- Low-Cost Carrier (LCC) Model
- Focus on Tier-II and Tier-III Market
- Innovative Marketing and Branding
- Cargo Operations: SpiceJet boosted its cargo business during the pandemic with SpiceXpress, its dedicated freighter fleet, ensuring a steady revenue stream and enhancing overall resilience.
- Brand Positioning: These Airlines has effectively positioned themselves as a modern, reliable, and customer-friendly airlines
- Customer-Centric Approach
  - **SpiceJet:** Around 13-16%
  - AirAsia India: Around 6-8%
  - Akasa Air: Around 4.2%





# **Unique Selling Propositions**

"Attract customers through initial free differentiated offerings, then retain them with the quality of your services" "We care about our Customers."

#### FAMILY AND CHILD-FRIENDLY SERVICES

Priority Boarding for Families, Elderly, and Disabled Passengers, Special Child Meals, Activity Kits, and Bassinets for Infants.

#### COMPLIMENTARY **IN-FLIGHT MEALS**

The flight should offer a menu featuring local and premium delicious dishes, as well as paid add-ons.

Additionally, it should include paid exotic packaged items from Europe, such as chocolates, English breads, etc to enhance the in-flight dining experience.

#### **FREQUENT FLYER PROGRAM**

Establish an exclusive club for frequent flyers called "X-Exotic Club," offering significant discounts and a range of unique benefits.

Members of this club will enjoy exclusive prizes and surprises, tailored to enhance their travel experience.

# **Unique Selling Propositions**

"Position the service as a premium-class offering at affordable prices, tailored for the middle class, while highlighting European expertise"

#### COMFORTABLE JOURNEY EXPERIENCE

Establish partnerships with car rental services such as Ola, Uber, individual car drivers, and travel agents. Additionally, offer pre-booked taxis for arrival and provide locationspecific human guides for tourists to enhance their experience.

#### INBUILT FLIGHT ENTERTAINMENT

One of the primary unique selling propositions (USPs) is to offer an in-flight and seat-inbuilt entertainment system to all classes of customers. This feature will be integrated into the Airbus A321 aircraft at the time of purchase. Notably, this is a first-of-its-kind offering in the domestic market, as no other player currently provides such an amenity.

#### IN-FLIGHT WI-FI SERVICES

Offer in-flight Wi-Fi on both medium and long-haul flights, with passengers able to purchase different packages tailored to their browsing, streaming, or working requirements.

## **Strategic Pillars of Our Operational Excellence**

- Adopting IndiGo's sales-leaseback model will maintain a young fleet, optimize fuel efficiency, and enhance aircraft quality, leveraging Europe's established aircraft leasing market.
- Maintaining a modern fleet of single-class aircrafts offers benefits such as fuel efficiency, improved design, and enhanced seat space. Standardizing the aircraft type facilitates efficient crew and staff training and quick replacement, ensuring operational continuity.
- Maximize aircraft utilization by **minimizing ground time** at airports, effectively cutting costs.
- Offer specialized services catering to disabled and elderly passengers (>75 years) like priority boarding and personal care services.
- Offer several features like student fare, defense fare, old age fare, etc.
- Collaborate with high-sales travel agents on selected routes to promote our flights, offering them commissions for increased sales.
- Offer superior compensation for flight cancellations compared to competitors to enhance customer satisfaction and loyalty.
- Implement feedback forms or QR codes to facilitate efficient administration understanding and rapid response.
- Ensure efficient, trained, friendly, and charismatic crew members, pilots, and engineers for punctual and enjoyable journeys.





## **Strategic Pillars of Our Operational Excellence**

- Collaborate with multiple colleges, leveraging student ID card data to identify high-frequency air travelers. Offer enhanced services such as dedicated taxi pickups and exclusive discounts to enhance their travel experience.
- Display slightly extended time durations for flights to account for potential delays and ensure on-time performance, thereby maintaining passenger trust.
- Offer flexibility on extra baggage allowances to accommodate passenger needs more generously.
- Digitalize most services to enhance comfort and expedite verifications for smoother operations
- Create a user-friendly, direct website for affordable air ticket sales
- Develop a comprehensive website akin to the Zerodha model, highlighting diverse, secluded, and pristine destinations worldwide. Create a social community where users can share travel experiences and discover new places.
- Implementing an all-female crew can have a positive psychological impact on passengers.



## Growth Strategy After Launch

01

Cost Cutting Strategy: Gradually transition complimentary differentiated services into a paid model 4-5 years after launch, or according to market demands

03

Company-X can consider entering the premium class market by offering unique features and negotiating deals with large corporations to provide enhanced services and discounts on bulk booking.



02

Additional Revenue Streams: Generate extra income by offering services such as seat selection, wider seat options and in-flight entertainment through VR and small tablets.

05

Expand operations into Tier-II and Tier-III cities afteratleast years of operation. This expansion will allow us to capitalize on the greater opportunities and lower competition in these markets.

Implementing robust loyalty programs and enhancing service quality are crucial for retaining customers in the competitive Indian market.

# **GROWTH IN NUMBERS**

# INITIAL STATS

Initial fleet will consists of 51 A321-NEO(45 unroute and 6 standby).

6 major destinations of the nation connected to each other with 3 flights each arrival and departure.

90 flights on a daily basis, with 75% assumed seat filling rate on avg.

Catering 12150 customers, daily.

<u>Serving the domestic market.</u>

2030 fleet will consists of 80 Airbus A321 NEO +35 Airbus CEO's +15 Boieng 757 aircrafts. Total=130 aircrafts.

52 destinations across the nation to have daily flights both ariving and departing at a regular basis.

**Connecting 14 International** destinations to India with daily flights from/to Europe.

Catering 32000 domestic and 5200 international travellers.

# 2030 STATS

# TIMELINE

#### 2024 - 2025

Initial period after the market entry, the company would start with a fleet of 51 aircrafts on 15 routes and 6 major cities, continue on a path to make customers satisfied

#### 2025(Jan)-2026(Aug)

Expansion of the fleet and addition of 60 more Airbus A321 to the arsenal and embarking to new routes within the domestic market.

#### 2026(Sep)

Staring the new international routes so as to expand the user base and tap into the European market which is our area of expertise. connecting 7 major countries with daily flights to New Delhi and Mumbai.

## )

#### 2027(Jan)-2030(Dec)

Collaborations with the tourism boards in India, giving tour and vacation plans. Addition of new destinations within the nation and in international destinations as southeast Asia and Africa with fleet capacity of 140 aircrafts

# **Seat Pricing**

Market Research Assumptions-

#### 1. Fixed Costs (FC) per flight (in INR):

- Aircraft lease: ₹30,00,00,000 (annually)
- Salaries: ₹22,500,000 (annually)
- Maintenance: ₹7,500,000 (annually)
- Insurance: ₹3,750,000 (annually)
- Overheads: ₹7,500,000 (annually)
- Total Annual Fixed Costs: ₹341,250,000
- Number of flights per year: 32,850
- FC per flight: ₹71,250,000 / 2,500 = ₹10,400

#### 2. Variable Costs (VC) per flight (in INR):

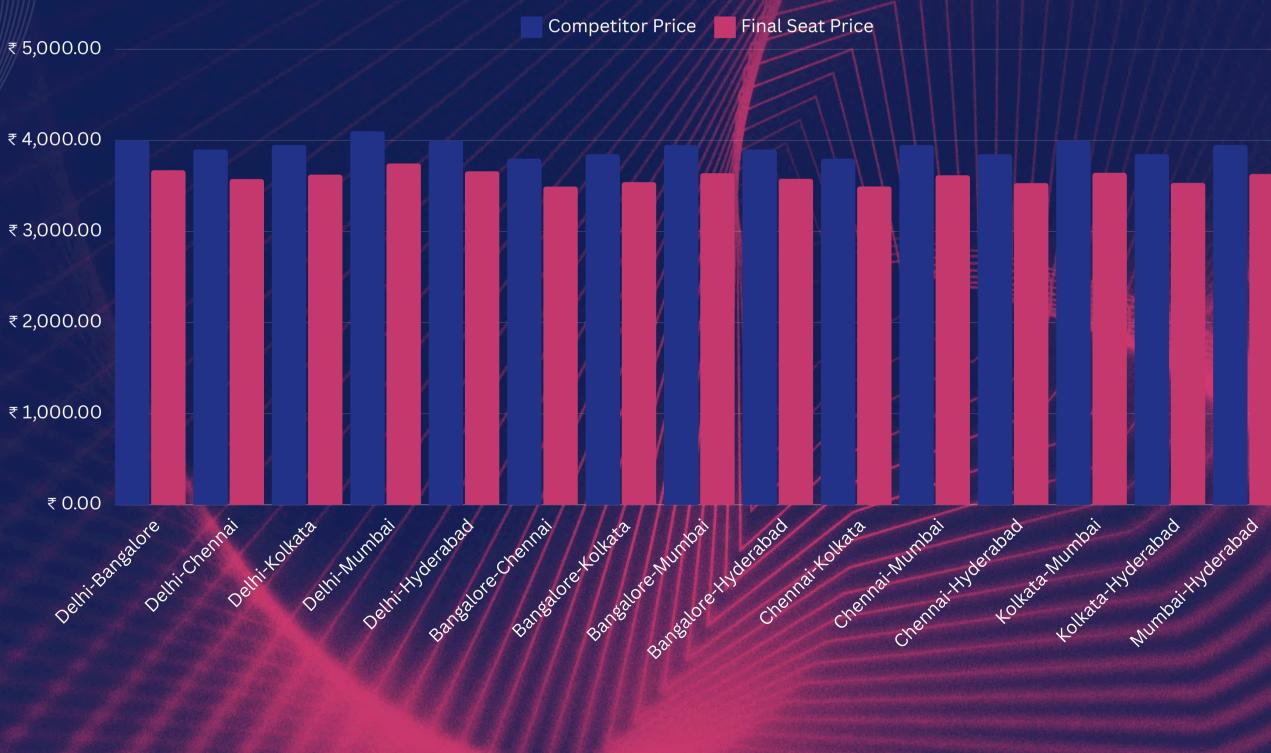
- Fuel: ₹187,500
- Fuel Consumption=4.4 to 4.6 liters per km
- Catering: ₹37,500
- Passenger handling: ₹15,000
- Airport fees (vary by airport)

#### 3. Airport Fees (AF) (in INR):

- Delhi: ₹100,000
- Bangalore: ₹90,000
- Chennai: ₹80,000
- Kolkata: ₹85,000
- Mumbai: ₹110,000
- Hyderabad: ₹95,000
- 4. Desired Profit Margin (PM): • 5% (initially)

#### 5. Load Factor:

- 85%
- α is the weighting factor that balances the company's calculated price and the competitor's price. A typical value for  $\alpha$  could be between 0.5 to 0.7, depending on the desired level of competitiveness and profitability. we take  $\alpha = 0.5$
- Number seat = 180
- Dynamic seat pricing model will be used in GDS



# Final seat price = $\alpha \times \left( \frac{FC + VC_{total} + Desired \ profit}{Number \ of \ seats \times load \ Factor} \right) + (1-\alpha) \times Competitor \ price$

### **BREAK-EVEN ANALYSIS** (AS PER ASSUMED DATA ON SLIDE-29)

Total annual fixed costs per aircraft = ₹3,41,250,000 Total annual fixed costs (51 planes) = ₹17403750000 Contribution Margin per Passenger=Selling Price-Variable Cost Contribution Margin per Passenger=3600-2222.22=1377.78 Total Contribution Margin per Flight=Contribution Margin per Passenger×Number of Passengers per Flight Total Contribution Margin per Flight=1377.78x153=2,10,800.34 Number of Flights to Break Even Annually=Total Annual Fixed Costs/Total Contribution Margin per Flight Number of Flights to Break Even Annually=17403750000/2,10,800.34≈82,560.35 Number of Flights per Month=Number of Days per Month×Number of Flights per Day Number of Flights per Month=90\*30(average) = 2700 Break-Even Point in Months=Number of Flights to Break Even Annually/Number of Flights per Month Break-Even Point in Months=82,560.35/2700≈ 30.57 months

Given our new market entry and the necessary time to establish operations and market presence, we've set our break-even point at around 32 months, slightly adjusted from our calculated 30.57-month target

# **ADVERTISEMENTS AND PROMOTIONS**

- Enhance Brand Visibility through Distinctive TV Advertisements, Eye-catching Posters, Strategic Influencer Collaborations on Social Media, and Robust Social Media Presence with Emphasis on SEO.
- Advertising to Differentiate Our Product from Existing Market Offerings
- Promote and Implement Unique Selling Propositions (USPs) Demonstrating Successful Application.
- Implement a reward program where passengers receive incentives such as an extra ticket after completing 12 medium/long-haul flights, discounted duty free goods.

# FREIGHT TRANSPORTATION

Offering Competitive Pricing and Comparable Services in a Relatively Uncompetitive Indian Market Positions Our Company to Acquire a Substantial Market Share

# Value Chain Analysis

### **INBOUND LOGISTICS**

We'll focus on efficient supply chain management, ensuring timely delivery of high-quality spare parts and fuel from reliable local and international suppliers to maintain aircraft readiness and reduce downtime.

#### **OPERATIONS**

By implementing advanced scheduling software and maintaining a fleet of A-321 NEO's, we can optimize fuel efficiency, pilot training, minimize delays, and enhance overall operational performance, providing a consistent and reliable travel experience.

### **OUTBOUND LOGISTICS**

Leveraging cutting-edge technology, we will streamline baggage handling and boarding processes, ensuring quick turnaround times and punctual departures, thereby improving customer satisfaction.

# Value Chain Analysis

#### SALES AND MARKETING

Utilizing targeted digital marketing strategies, personalized offers, and strategic partnerships with Indian travel agencies and e-commerce platforms, we will attract and retain a diverse customer base, emphasizing our competitive pricing and European service quality. We will differentiate ourselves by offering exceptional customer service, including multilingual support, hassle-free ticket modifications, and a loyalty program tailored to frequent flyers, ensuring a superior travel experience from booking to arrival.

### SERVICE

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