**Implications of low cost carriers on Indian Aviation Industry**

**Atharv Upadhyay**

Student, HR College of Commerce and Economics, Dinshaw Wacha Road, Churchgate, Mumbai

**Abstract**

This research paper explores the emerging low-cost carrier (LCC) business model within the aviation industry and its impact on various market segments, including customers, competitors, and the broader economy. The study examines the structural differences between LCCs and full-service airlines, with a particular focus on cost efficiency as the key driver behind LCC success. LCCs have reshaped the competitive landscape by significantly reducing operational costs, making air travel accessible to a broader range of income groups. The paper also discusses the broader context of the aviation industry, a rapidly growing sector with a global economic footprint, contributing over $2.7 trillion to the global economy and supporting millions of jobs. In addition to economic considerations, the industry faces increasing pressure to address environmental concerns, with airlines investing in sustainable technologies such as biofuels and electric aircraft. The COVID-19 pandemic's disruption of air travel is also considered, along with the industry's anticipated recovery. Finally, the study highlights the ongoing importance of air safety, underscoring the collaborative efforts between airlines and regulatory bodies to ensure the highest safety standards in a dynamic and complex operational environment.

**1. INTRODUCTION**

In this research paper the author will be discussing the emerging airline business model and how it is affecting the various segments of market, including customers, peers, economy. The study will focus on structure of the low-cost carriers (thereafter referred as LCC), analysis of the cost structures of a LCC compared to a full-service airline. LCCs are leading the market with their cost-efficient approach, lately the competition has been notorious for the airlines, LCCs are a reason for that as they were able to successfully cut down on operational costs and made it possible for several income groups to afford air travel.

The aviation industry is a complex and dynamic field that involves the operation and maintenance of aircraft, as well as the infrastructure and regulations that support air travel.

The aviation industry is one of the largest and fastest-growing industries in the world.

According to the International Air Transport Association (IATA), over 4.5 billion passengers were transported by air in 2019. The global aviation industry is responsible for over 65 million jobs and contributes over $2.7 trillion to the global economy.

The global air cargo industry transports over 50 million metric tons of goods each year, with the majority of shipments being high-value, time-sensitive items such as electronics and pharmaceuticals. The aviation industry is facing increasing pressure to reduce its carbon emissions, and many airlines are investing in new technologies such as biofuels, electric and hybrid-electric aircraft, and more efficient engines to reduce their environmental impact.

The COVID-19 pandemic has had a significant impact on the aviation industry, with many airlines reducing their schedules and laying off staff in response to decreased demand for air travel. However, the industry is expected to recover over the coming years as vaccination programs are rolled out and travel restrictions are lifted.

Air safety should be the top priority for the aviation industry, and airlines and regulatory bodies work together to establish and enforce strict safety standards. Despite the occasional high-profile accident, air travel remains one of the safest forms of transportation.

The aviation industry is heavily regulated, with various national and international bodies overseeing everything from aircraft design and maintenance to pilot training and air traffic control. The future of the aviation industry is likely to be shaped by new technologies such as unmanned aerial vehicles (drones), supersonic aircraft, and space travel. These emerging technologies are expected to revolutionize the way we think about air travel and transportation more broadly.

It is riskier to operate this business due to following reasons:

* High operating costs: Airlines have high operating costs, including fuel, labour, and aircraft maintenance. These costs can vary depending on factors such as fuel prices, currency exchange rates, and regulatory requirements.

* Competition and pricing pressure: Airlines face intense competition, with many airlines vying for market share and customers. This can lead to pricing pressure and lower profit margins, particularly in markets where low-cost carriers are dominant.

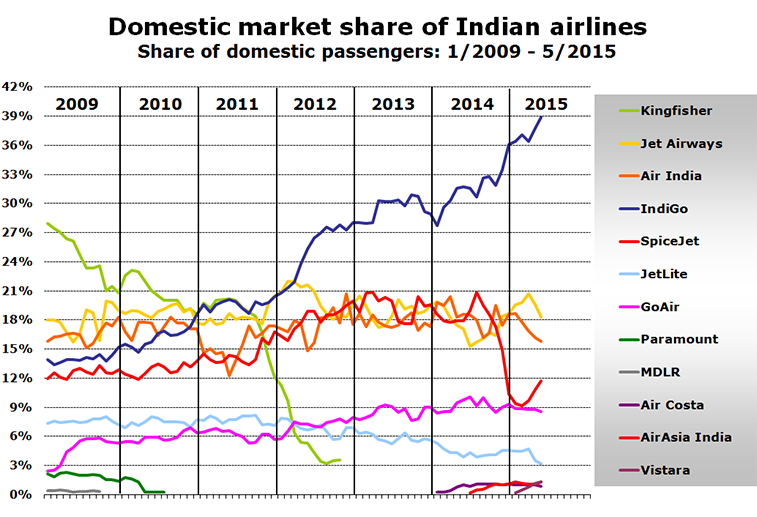
* Fluctuating demand: Demand for air travel can be unpredictable and subject to external factors such as economic conditions, political events, and natural disasters. This can make it difficult for airlines to forecast revenue and plan operations effectively.

* Capital investments: Airlines require significant capital investments for aircraft, technology, and infrastructure. These investments can put pressure on airlines to generate sufficient returns to cover the cost of capital and ensure profitability.

* Regulatory requirements: Airlines are subject to a range of regulatory requirements, such as safety standards, environmental regulations, and consumer protection laws. Compliance with these regulations can add to the operating costs of airlines and impact profitability.

* Currency fluctuations: Airlines with international operations are subject to currency fluctuations, which can impact revenue and expenses. This can make it difficult for airlines to manage costs and maintain profitability.

* Airlines often rely on debt and financing to fund capital investments and operations. However, high levels of debt can put pressure on airlines to generate sufficient cash flow and profit to service the debt.



Most of the airlines in the graph above are out of business by now. There is one significant airline that has dominated the Indian market, Indigo, IndiGo was founded in 2006 as a private company by Rahul Bhatia of Interglobe Aviation and Rakesh Gangwal IInterglobe a 51.12% stake in IndiGo and 47.88% was held by Gingal’s Virginia-based company Caelum Investments. IndiGo placed a firm order for 100 Airbus A320-200 aircraft in June 2005 with plans to begin operations in mid-2006. IndiGo took delivery of its first aircraft on 28 July 2006, nearly a year after placing the order. It commenced operations on 4 August 2006 with a service from Delhi to Impel via Guwahati. By the end of 2006, the airline had six aircraft, and nine more were acquired in 2007. In December 2010, IndiGo replaced state-run carrier, as the third largest airline in India, behind kingfisher airlines and Jet Airways with a passenger market share of 17.3%.

In 2011, IndiGo placed an order for 180 Airbus A320 aircraft in a deal worth US$15 billion. In January 2011, after completing five years of operations, the airline got permission to launch international flights. In December 2011, the DGCA expressed reservations that the rapid expansion could impact passenger safety.

In February 2012, IndiGo took delivery of its 50th aircraft, less than six years after it began operations. For the quarter ending March 2012, IndiGo was the most profitable airline in India and became the second largest airline in India in terms of passenger market share. On 17 August 2012, IndiGo became the largest airline in India in terms of market share surpassing Jet Airways, six years after commencing operations.

In January 2013, IndiGo was the second-fastest-growing low-cost carriers in Asia behind Indonesian airline lion air. In February 2013, following the announcement of the that it would allow IndiGo to take delivery of only five aircraft that year, the airline planned to introduce low-cost regional flights by setting up a subsidiary. Later, IndiGo announced that it planned to seek permission from the ministry to acquire four more aircraft, therefore taking delivery of nine aircraft in 2013. As of March 2014, IndiGo is the second-largest low cost airline in Asia in terms of seats flown.

IndiGo is one of the leading airlines in the Indian aviation market, and it has captured a significant share of the market since its inception in 2006. The following are some of the factors that contributed to IndiGo's success:

* Focus on operational efficiency: IndiGo has consistently focused on operational efficiency, and it has managed to keep its costs low. It has a lean operating model that helps it to maintain its profit margins, and it has been able to offer low fares to its customers.

* Customer-centric approach: IndiGo has always put its customers first and has offered them a hassle-free travel experience. It has invested heavily in customer service, and it has consistently received high customer satisfaction ratings.

* Consistent expansion: IndiGo has consistently expanded its route network and fleet size, and it has been able to reach more customers across India. It has also focused on expanding its international operations, which has helped it to attract more customers.

* Use of modern technology: IndiGo has always been at the forefront of adopting modern technology to enhance its operations. It was one of the first airlines in India to use the Airbus A320neo, which is more fuel-efficient and has lower maintenance costs. It has also invested in digital technology to enhance the customer experience.

* Strong management team: IndiGo has a strong management team that has been able to execute its strategy effectively. Its co-founder and CEO, Rakesh Gangwal, has a background in aviation, and he has been able to provide the company with a clear direction.

In conclusion, IndiGo's success in capturing the Indian aviation market can be attributed to its focus on operational efficiency, customer-centric approach, consistent expansion, use of modern technology, and strong management team. These factors have helped it to offer low fares, a hassle-free travel experience, and a wide network to its customers, which has made it a popular choice among travellers in India.

**The emphasis of study is on the areas affected by low-cost airlines and aviation in genera**l.

### Economy

The aviation industry contributes significantly to the global economy. It creates jobs, generates revenue for various sectors, and drives economic growth. According to the Air Transport Action Group, the aviation industry supports over 65.5 million jobs worldwide and contributes $2.7 trillion to global GDP.

### Employment

The airline industry is a significant employer, directly and indirectly. Airlines require a large workforce, including pilots, cabin crew, maintenance personnel, and ground staff. In addition, the growth of the airline industry creates jobs in other sectors, such as transportation, hospitality, and retail. Therefore, any changes in the airline industry can have a significant impact on employment in the domestic industry.

**Infrastructure:**

The airline industry also plays a crucial role in the development of infrastructure, such as airports and transportation systems. Airports are often major economic drivers in their regions, attracting businesses and investment, and creating employment opportunities. As airlines expand, they also require more airport infrastructure, which can lead to further development of the domestic industry.

**Trade:**

Airlines facilitate the movement of people and goods, which can positively impact the domestic industry's trade. The airline industry provides transportation for both domestic and international trade, enabling companies to reach markets and customers efficiently. The airline industry's competitiveness and pricing can significantly affect the domestic industry, particularly in sectors that are heavily reliant on air transport, such as tourism and exports. As airlines compete on pricing, they can impact the demand for goods and services in the domestic industry.

Overall, the airline industry's impact on the domestic industry is significant and far-reaching. The industry's growth and competitiveness can have both positive and negative effects on the economy, employment, infrastructure, trade, and competition.

### Tourism

The aviation industry plays a critical role in the growth of the tourism industry. It enables people to travel to different parts of the world quickly and conveniently, making it possible for tourists to visit different destinations. In turn, tourism generates revenue for the aviation industry through airfare, accommodation, and other related services.

The airline industry plays a significant role in the development of the tourism industry in India. India is a large country with diverse cultures and tourist attractions, and the availability of reliable air travel has made it easier for tourists to access these destinations.

One of the major impacts of the airline industry on tourism in India is increased accessibility. With the growth of low-cost carriers, air travel has become more affordable for a larger section of the population, leading to an increase in domestic tourism. This has not only provided more opportunities for locals to travel within the country but also contributed to the growth of the economy as a whole.

Additionally, the airline industry has also played a significant role in the growth of international tourism in India. With the presence of several international airlines and a growing number of domestic airlines offering international routes, India has become more accessible to foreign tourists. This has led to an increase in the number of foreign visitors and foreign exchange earnings for the country.

The airline industry has also contributed to the growth of the hospitality industry in India. The availability of reliable air travel has led to the development of hotels, resorts, and other tourist facilities in previously underdeveloped areas, providing new employment opportunities and boosting local economies.

However, the airline industry also has its downsides. The increasing number of flights has led to concerns about environmental pollution, particularly air and noise pollution. The industry is also vulnerable to external factors such as global economic conditions, fuel prices, and political instability, which can have a negative impact on the tourism industry in India.

In conclusion, the airline industry has had a significant impact on the tourism industry in India. While it has contributed to the growth of the economy and the development of the hospitality industry, it is important to address its negative impacts to ensure sustainable growth in the tourism sector.

### Trade and commerce

The aviation industry also facilitates international trade and commerce by providing an efficient and speedy means of transportation for goods and services. Many businesses depend on air transportation for the shipment of goods to different parts of the world. In addition, air cargo transportation plays a significant role in the global supply chain, enabling businesses to meet their customers' demands on time.

One of the primary impacts of the airline industry on trade and commerce in India is the increased speed and efficiency of transportation. With the availability of air travel, businesses can transport goods and people across the country and internationally in a matter of hours rather than days or weeks. This has allowed companies to expand their markets, find new suppliers, and establish new business relationships.

Moreover, the airline industry has helped to improve supply chain management for businesses in India. By providing quick and reliable transportation, companies can receive supplies and raw materials faster and more efficiently, reducing lead times and production costs.

The airline industry has also made it easier for companies to participate in international trade shows, conferences, and meetings. This has helped businesses in India to network with international partners, stay up-to-date on the latest industry trends, and showcase their products and services to a global audience.

In addition, the airline industry has contributed to the growth of tourism in India, which has in turn boosted the country's trade and commerce industry. With the growth of domestic and international tourism, there has been an increase in demand for goods and services in the hospitality industry, including accommodation, food and beverage, and transportation services.

However, the airline industry is also subject to external factors such as fuel prices, political instability, and global economic conditions, which can have a negative impact on trade and commerce in India. The high cost of air travel can also be a barrier for small and mediumsized enterprises, making it difficult for them to access new markets and customers. In conclusion, the airline industry has had a significant impact on the trade and commerce industry in India, providing increased speed and efficiency of transportation, improving supply chain management, and opening up new markets and opportunities for businesses. While it has contributed to the growth of the economy, it is important for businesses to consider the potential risks associated with air travel and to adopt sustainable practices for long-term success.

### Technology and innovation

The aviation industry is a hub for innovation and technological advancement. It has led to the development of many sophisticated technologies and innovations such as digital avionics, improved navigation systems, and advanced materials, which have revolutionized the industry. The airline industry has played a critical role in driving technological innovation in India. The industry has transformed the way people and goods are transported, leading to the development of new technologies and advancements in logistics, communication, and data analysis.

One of the primary impacts of the airline industry on the technology and innovation industry in India is the advancement of air travel technology. Airlines are investing heavily in research and development to improve their operations, including the development of more fuelefficient aircraft, advanced cockpit systems, and new maintenance technologies. These advancements have not only led to improvements in flight safety but have also reduced operating costs for airlines and made air travel more accessible to people.

Additionally, the airline industry has also led to the development of new technologies and systems for air traffic management and communication. With the growth of air travel, there has been a need for more efficient and secure communication systems between airlines, airports, and air traffic controllers. As a result, new technologies such as satellite-based navigation systems, digital communication networks, and weather prediction systems have been developed, making air travel safer and more efficient.

The airline industry has also played a critical role in the growth of e-commerce in India. With the increasing popularity of online shopping, the demand for efficient and reliable transportation systems has increased, leading to the development of new logistics technologies, such as tracking and inventory management systems. These innovations have not only made e-commerce more accessible to people but have also helped to streamline supply chain management and reduce costs for businesses.

Moreover, the airline industry has helped to promote innovation in the hospitality industry, including the development of new technologies for hotel management, customer service, and booking systems. This has led to improved guest experiences and more efficient operations for hotels and resorts, leading to increased competitiveness and growth in the industry.

In conclusion, the airline industry has had a significant impact on the technology and innovation industry in India, leading to the development of new technologies and systems for air travel, logistics, communication, and e-commerce. These advancements have not only improved the efficiency and safety of air travel but have also contributed to the growth of other industries, including hospitality and trade. As the airline industry continues to evolve, it will continue to drive technological innovation in India and contribute to the growth of the economy.

**Environment:**

While the aviation industry has contributed significantly to economic growth and development, it has also had an adverse impact on the environment. Aircraft emissions, noise pollution, and land use are some of the environmental issues that the industry has to address. However, the industry is making efforts to reduce its carbon footprint and environmental impact by adopting sustainable practices and using alternative fuels.

The airline industry has had a significant impact on the environment, particularly in terms of carbon emissions and climate change. While air travel has provided a range of social and economic benefits, it is also a significant source of greenhouse gas emissions and other pollutants that contribute to air pollution and climate change.

One of the primary environmental impacts of the airline industry is the release of greenhouse gases, particularly carbon dioxide, into the atmosphere. The aviation industry accounts for around 2% of global carbon emissions, and this is expected to rise in the coming years due to the growth in air travel. The emissions from the aviation industry contribute to global warming and climate change, which in turn can lead to a range of environmental impacts, including rising sea levels, extreme weather events, and loss of biodiversity.

Additionally, air travel also has other environmental impacts, including noise pollution and air pollution. The emissions from aircraft engines can release a range of pollutants into the atmosphere, including nitrogen oxides and particulate matter, which can have significant health impacts on people who live near airports and flight paths.

To address these environmental impacts, the airline industry has taken a range of steps to reduce its carbon emissions and other environmental impacts. This includes investing in more fuel-efficient aircraft, developing alternative fuels, and improving air traffic management systems to reduce fuel consumption. Some airlines are also taking steps to reduce their use of single-use plastics and waste generation, as well as implementing other sustainability initiatives such as carbon offset programs.

In addition, governments and international organizations have implemented a range of policies and regulations to reduce the environmental impacts of the airline industry. These include measures such as emissions trading schemes, carbon taxes, and fuel efficiency standards for aircraft.

In conclusion, the airline industry has had a significant impact on the environment, particularly in terms of carbon emissions and other pollutants. While the industry has taken steps to address these impacts, more needs to be done to reduce the environmental footprint of air travel. This will require a concerted effort by governments, airlines, and other stakeholders to invest in more sustainable practices and technologies that can help to mitigate the environmental impacts of air travel.

## HISTORY OF INDIAN AVIATION

Aviation in India has a long and eventful history, dating back to the early 1900s. The first recorded flight in India was made by a French aviator named Henri Pequot in 1910, who flew a Humber biplane from Allahabad to Naini, covering a distance of six miles. The Indian State Air Service was established in 1920, which operated in the British India region.

In 1932, J.R.D. Tata founded Tata Airlines, which later became Air India, the national carrier of India. During World War II, India played a significant role in the Allied war effort, and the Royal Indian Air Force (RIAF) grew to become the fourth largest air force in the world, with more than 2,000 aircraft.

After India gained independence in 1947, the country faced several challenges in establishing a strong aviation industry. However, with the help of the government and private sector, the industry began to grow in the 1950s and 1960s. Indian Airlines was formed in 1953 to provide air connectivity within the country.

The 1970s saw the establishment of Hindustan Aeronautics Limited (HAL) by the Indian government, which started producing aircraft for the Indian Air Force. In 1986, the Indian government allowed private airlines to operate in the country, resulting in the establishment of airlines such as Jet Airways, SpiceJet, and IndiGo.

Today, India has a thriving aviation industry, with a number of domestic and international airlines operating in the country. The major airports in India include Delhi, Mumbai, Chennai, Kolkata, and Bangalore. The growth of the aviation industry has contributed significantly to the economic development of the country.

### Aviation customers

* **Commercial customers**: These are passengers who fly on commercial airlines for business or leisure purposes. They can be further classified into various categories, such as business travellers, vacationers, and frequent flyers.

* **Military customers**: Military organizations and their personnel often use aviation services for various purposes, including troop transport, cargo transport, and reconnaissance.

* **Government customers**: Governments often use aviation services for official purposes, such as transporting officials, conducting surveillance, and carrying out emergency operations.

* **Private customers**: Private aviation customers include individuals and corporations who own or lease private aircraft for personal or business use. These customers may use their aircraft for executive travel, personal travel, or chartering.

* **Cargo customers**: Cargo airlines serve customers who need to transport goods, such as packages, freight, and mail, domestically or internationally.

* **General aviation customers:** This category includes all non-commercial and nonmilitary aviation activities, such as private pilots, flying clubs, and aviation enthusiasts.

* **Maintenance, Repair and Overhaul (MRO) customers**: These customers are involved in the repair, maintenance, and overhaul of aircraft, engines, and components. They can be airlines, aircraft manufacturers, or independent MRO providers.

These are some of the major types of aviation customers. Each customer type has unique needs, and the aviation industry provides a range of services to meet those needs.

Our emphasis here is on the regular flyers.

## Types of airline passengers

* Business travellers: These passengers are usually traveling for work-related purposes and often have specific requirements, such as flexible schedules, airport lounges, and on-time departures and arrivals.

* Leisure travellers: These passengers are traveling for personal reasons, such as vacations or family visits. They may be looking for affordable fares, comfortable seats, and in-flight entertainment options.

* Frequent flyers: These passengers travel frequently and often have elite status with airlines that offers them special privileges, such as priority boarding, access to lounges, and upgrades to premium cabins.

* Budget travellers: These passengers are focused on finding the lowest possible fares and are willing to sacrifice amenities, such as in-flight meals, checked baggage, and seat selection, to save money.

* Family travellers: These passengers are traveling with children and may require special assistance, such as strollers, car seats, and priority boarding. They may also need extra space and amenities, such as changing tables and in-flight entertainment for kids.

* International travellers: These passengers are traveling to or from a foreign country and may require additional services, such as visa assistance, multi-lingual staff, and access to foreign currency.

* Luxury travellers: These passengers are looking for a high-end experience and may opt for first-class or business-class cabins that offer amenities such as lie-flat seats, gourmet meals, and personalized service.

These are some of the major types of airline flyers. Airlines cater to the needs of each customer segment by offering a range of products and services, such as frequent flyer programs, premium cabins, in-flight entertainment, and special assistance for families and disabled passengers.

**History of low-cost airlines:**

The origins of low-cost airlines can be traced back to the United States in the 1970s. The first low-cost carrier (LCC) was Pacific Southwest Airlines (PSA), which started operations in California in 1949. However, the airline that is often credited with pioneering the LCC model is Southwest Airlines, which started operations in 1971.

Southwest Airlines was founded by Herb Kelleher and Rollin King with the idea of offering low fares to passengers traveling between Texas cities. The airline kept costs low by operating a single aircraft type (Boeing 737), flying to secondary airports, and using a pointto-point network rather than the hub-and-spoke system used by legacy carriers.

The success of Southwest Airlines inspired other airlines to follow the low-cost model. In Europe, Ryanair was established in 1984 by Tony Ryan, who wanted to provide low-cost flights between Ireland and the UK. Ryanair adopted the Southwest Airlines model and became one of the most successful LCCs in Europe.

Other European airlines, such as easyJet and Norwegian Air Shuttle, also adopted the lowcost model and expanded rapidly in the 1990s and 2000s. In Asia, AirAsia was founded in 1993 by Tony Fernandes and grew to become a major LCC in the region.

Today, low-cost airlines operate in many parts of the world and have disrupted the traditional airline industry by offering lower fares and a no-frills experience. The success of LCCs has forced legacy airlines to adopt some of the cost-saving measures used by LCCs, such as charging for checked baggage and offering basic fares with no frills.

In conclusion, the history of low-cost airlines can be traced back to the 1970s in the United

States, with Southwest Airlines being the pioneer of the low-cost model. The success of Southwest Airlines inspired other airlines around the world to adopt the LCC model, which has disrupted the traditional airline industry and led to lower fares and increased competition.

The low-cost airline revolution in India began in 2003, when Air Deccan launched operations with a single aircraft and a mission to make air travel accessible to the masses. Air Deccan was founded by Captain G. R. Gopinath, a former army officer turned entrepreneur, who wanted to provide affordable air travel to the common man.

Air Deccan's strategy was to offer low fares, fly to underserved airports, and use a point-topoint network instead of the hub-and-spoke system used by legacy carriers. The airline grew rapidly and expanded its fleet to 45 aircraft by 2007, becoming the largest low-cost carrier in India.

Other low-cost airlines soon followed, including IndiGo, SpiceJet, and GoAir. IndiGo was founded in 2006 by Rahul Bhatia of InterGlobe Enterprises and Rakesh Gangwal, a former CEO of US Airways. IndiGo quickly became a dominant player in the Indian airline market, with a focus on punctuality, reliability, and low fares.

SpiceJet was founded in 2005 by Ajay Singh, who bought the airline from the Modis (who owned the airline as Royal Airways) and rebranded it as SpiceJet. The airline initially focused on providing low-cost flights to smaller cities and towns in India, but later expanded to larger cities as well.

GoAir was founded in 2005 by Jehangir Wadia, son of industrialist Nusli Wadia, with a focus on providing affordable air travel to the middle class. The airline operates a fleet of Airbus A320 aircraft and flies to over 30 destinations in India and abroad.

The success of these low-cost airlines has revolutionized the Indian airline industry, making air travel more affordable and accessible to a larger segment of the population. Low-cost airlines have also forced legacy carriers to lower their fares and improve their services in order to compete.

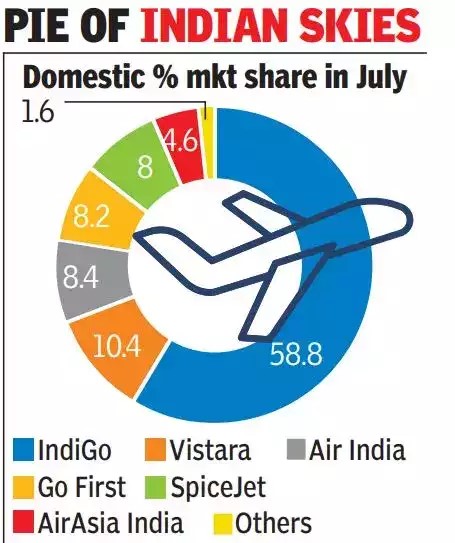
In conclusion, the low-cost airline revolution in India began in 2003 with the launch of Air

Deccan, which paved the way for other low-cost airlines such as IndiGo, SpiceJet, and

GoAir. These airlines have disrupted the Indian airline industry and made air travel more affordable and accessible to a larger segment of the population.

### TOP AIRLINES IN INDIA

Figure 2: Top airlines in India



1. IndiGo: IndiGo is currently the largest airline in India by market share, with a fleet of over 300 aircraft and serving over 80 domestic and international destinations. The airline was founded in 2006 and is known for its low fares, punctuality, and excellent customer service.

1. Air India: Air India is the flag carrier airline of India and is owned by the government of India. The airline operates a fleet of over 120 aircraft and flies to over 40 domestic and international destinations. Air India is known for its excellent inflight service and international connections.
2. SpiceJet: SpiceJet is one of the largest low-cost airlines in India, with a fleet of over 100 aircraft and serving over 50 domestic and international destinations. The airline was founded in 2005 and is known for its affordable fares, efficient operations, and customer-friendly policies.

1. Vistara: Vistara is a full-service airline that was founded in 2013 as a joint venture between Tata Sons and Singapore Airlines. The airline operates a fleet of over 40 aircraft and flies to over 30 domestic and international destinations. Vistara is known for its premium services, including a business class cabin, gourmet meals, and personalized service.

1. GoAir: GoAir is a low-cost airline that was founded in 2005 and operates a fleet of over 50 aircraft, flying to over 30 domestic and international destinations. The airline is known for its affordable fares, punctuality, and no-frills service.

Other notable airlines in India include AirAsia India, which is a joint venture between AirAsia Group and Tata Sons, and operates a fleet of over 30 aircraft; and Alliance Air, which is a subsidiary of Air India and operates regional flights to smaller cities and towns in India.

In conclusion, India has a competitive airline industry with a mix of full-service and low-cost carriers. IndiGo, Air India, SpiceJet, Vistara, and GoAir are among the top airlines in India, each offering a unique value proposition to customers.

Low-cost airlines have revolutionized the airline industry over the past few decades and have become a dominant force in the global aviation market. These airlines operate with a no-frills approach, offering basic services at a lower cost than traditional full-service airlines. This has made air travel more affordable and accessible to a larger segment of the population.

As of 2021, low-cost airlines account for approximately 30% of global airline capacity, with over 1,200 low-cost carriers operating worldwide. The top low-cost airlines in the world by passengers carried include Southwest Airlines (USA), Ryanair (Ireland), easyJet (UK), Lion Air (Indonesia), and AirAsia (Malaysia).

The success of low-cost airlines can be attributed to several factors, including their focus on cost efficiency, utilization of secondary airports, and point-to-point networks. Low-cost airlines often operate with a simplified fleet, offer limited in-flight amenities, and charge fees for additional services such as checked baggage and seat selection. This approach allows them to keep costs low and offer lower fares to passengers.

Low-cost airlines have also forced traditional full-service airlines to adapt and compete by offering lower fares and unbundling their services to allow passengers to pay for only what they need. This has resulted in increased competition and improved air travel options for consumers.

As of 2021, low-cost airlines account for approximately 70% of the domestic Indian aviation market, with IndiGo being the largest low-cost airline in the country by market share. Other notable low-cost airlines in India include SpiceJet, GoAir, AirAsia India, and Vistara's lowcost subsidiary, Air Vistara.

The success of low-cost airlines in India can be attributed to several factors, including the growth of the Indian middle class, increased competition, and the government's efforts to promote air travel through initiatives such as the UDAN scheme, which provides financial incentives to airlines to operate flights to underserved regions.

Low-cost airlines in India typically operate with a no-frills approach, offering basic services at a lower cost than traditional full-service airlines. They often operate with a simplified fleet, utilize secondary airports, and charge fees for additional services such as checked baggage and seat selection. This approach allows them to keep costs low and offer lower fares to passengers.

In conclusion, low-cost airlines have gained dominance in the domestic Indian aviation market, accounting for approximately 70% of the market share. Their success can be attributed to their affordable fares, simplified services, and the government's efforts to promote air travel in India. The impact of low-cost airlines has made air travel more accessible and affordable to a larger segment of the Indian population.

**WHAT DRIVES INDIAN CUSTOMERS WHILE CHOOSING THEIR AIRLINE?**

factors influencing customer preference in the airline industry:

1. Price: Price is often the most significant factor that influences customer preference in the airline industry. Passengers are more likely to choose an airline that offers the lowest fare for a particular route.

1. Safety: Safety is another essential factor for passengers when choosing an airline. Customers expect airlines to maintain the highest safety standards and prioritize their safety above everything else.

1. Customer Service: The quality of customer service offered by an airline is another critical factor that influences customer preference. Airlines that prioritize customer satisfaction and provide personalized services are more likely to attract and retain customers.

1. On-time performance: Passengers prefer airlines that maintain punctuality and have a good record of on-time performance. Delays and cancellations can be a significant inconvenience for passengers and may result in lost business for airlines.

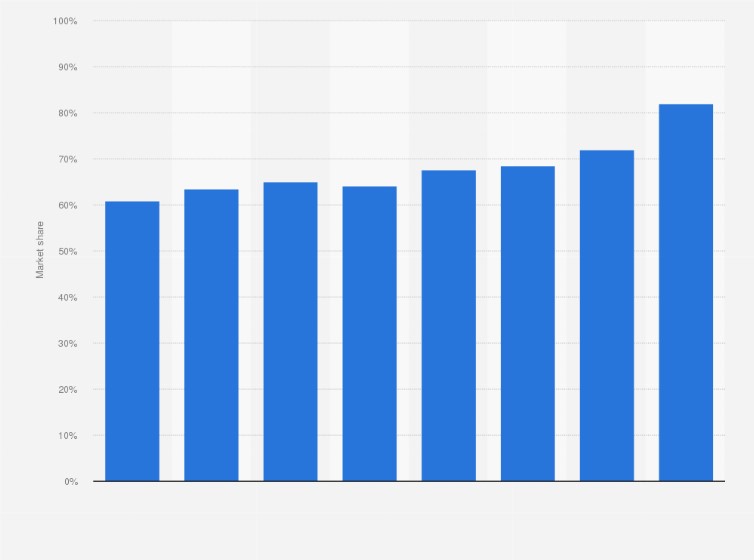
1. In-flight amenities: In-flight amenities such as entertainment, Wi-Fi, comfortable seating, and food and beverage options can also influence customer preference. Passengers are willing to pay more for airlines that offer a better in-flight experience.

1. Loyalty programs: Airlines that offer attractive loyalty programs and frequent flyer rewards are more likely to retain customers. Passengers are more likely to choose an airline that rewards them for their loyalty with perks such as free flights, upgrades, and other benefits.

1. Route network: The availability of direct flights and a comprehensive route network also influences customer preference. Airlines that offer a wide range of destinations and convenient connections are more likely to attract passengers.

In conclusion, several factors influence customer preference in the airline industry, including price, safety, customer service, on-time performance, in-flight amenities, loyalty programs, and route network. Airlines that prioritize these factors and offer a superior experience are more likely to attract and retain customers.

FIGURE 3: MARKET SHARE INCREASE OF LOW-COST CARRIERS IN INDIA



Price is one of the most critical factors for Indian customers while choosing an airline. Indian customers are highly price-sensitive and prefer airlines that offer affordable fares. However, they also expect airlines to provide value for money and prioritize safety and comfort. Safety is another crucial factor that Indian customers consider while choosing an airline. Passengers expect airlines to maintain high safety standards and adhere to all safety protocols. Indian customers are willing to pay a premium for airlines that prioritize their safety.

Customer service is also a vital factor that influences the choice of airline for Indian customers. They expect airlines to provide personalized services and prioritize customer satisfaction. Airlines that offer superior customer service and respond quickly to passenger queries and complaints are more likely to attract and retain Indian customers. On-time performance is another essential factor that Indian customers consider while choosing an airline. They expect airlines to maintain punctuality and have a good record of on-time performance. Delays and cancellations can be a significant inconvenience for Indian customers and may result in lost business for airlines.

In-flight amenities such as entertainment, Wi-Fi, comfortable seating, and food and beverage options can also influence Indian customers' choice of airline. Indian customers are willing to pay more for airlines that offer a better in-flight experience.

Finally, Indian customers also consider the route network of an airline. They prefer airlines that offer direct flights and a wide range of destinations. Airlines that provide convenient connections and a comprehensive route network are more likely to attract Indian customers. In conclusion, Indian customers are highly sensitive while choosing their airline and consider several factors, including price, safety, customer service, on-time performance, in-flight amenities, loyalty programs, and route network. Airlines that prioritize these factors and offer a superior experience are more likely to attract and retain Indian customers.



**Low-cost carriers and safety:**

There are concerns about how low-cost airlines may be affecting the safety of their customers.

One of the primary ways that low-cost airlines affect safety is by cutting corners on safety procedures to save costs. This can include reducing the amount of training given to pilots and crew members, outsourcing maintenance to cheaper companies with less experienced mechanics, and skimping on safety equipment such as emergency oxygen masks and life rafts.

Additionally, low-cost airlines may also be more likely to engage in risky practices such as overworking their staff or encouraging them to ignore safety protocols to keep flights on schedule. This can result in tired and stressed pilots and crew members who are more likely to make mistakes that could jeopardize the safety of passengers.

Another factor that can contribute to safety concerns on low-cost airlines is the use of older, less reliable aircraft. These airlines may purchase older planes that have already been used by other airlines, which can increase the risk of mechanical problems and safety issues.

However, it is important to note that not all low-cost airlines prioritize cost over safety. Many budget airlines have established safety records and operate in compliance with international safety regulations. Additionally, safety in air travel is subject to rigorous regulation and oversight by aviation authorities.

Overall, while there may be some safety concerns associated with low-cost airlines, it is important to research and choose reputable airlines that prioritize safety and comply with safety regulations. It is also recommended to pay attention to safety instructions and regulations during your flight to ensure your own safety.

AirAsia has advised its pilots to land with the flap 3 setting or low drag profile approach in order to save fuel. (Flaps are basically the extension of the wings increasing the surface area which allows an aircraft to manoeuvre at lower speed, especially during the landing and takeoff the flap setting of an Airbus A320 for example must is advised to be at setting 4). How much fuel you may ask, total of 8 kgs per flight which is becomes a big number when calculated thousands of flights.

Consequently, the landing speed increases with a lower flap setting which requires more breaks and thrust reversals, higher the speed more the chances of an over-run. Specially on a rainy day.

In Kozhikode, a Boeing 737 of Air India overshot the runway and fell into the cliff. Killing all the passengers and crew on board.

## Statement of the Problem

Low-cost airlines have had a significant impact on the aviation industry, increasing accessibility to air travel, introducing new business models, and putting pressure on traditional airlines to adapt. While there have been concerns about the impact of low-cost airlines on safety and security, they have also helped to drive innovation and improvements in the industry.

1. The competition from the low-cost airlines healthy for the full-service airlines?

1. Safety and security concerns as the LCCs dominated the market.

1. LCCs causing sustainability issues, prohibiting growth.

1. The issues pertained by the LCCs are causing limitations for the employees working in the industry.

By addressing these questions, this research seeks to provide valuable insights for airlines, policymakers, and other stakeholders in the aviation industry to better understand consumer preferences and adapt to changing market conditions.

## Literature Review

**"Low-cost carriers in India: A study of business models, strategies, and future prospects"**

### (Nayak & Padhy, 2018)

This study explores the emergence and growth of LCCs in India, including their business models, strategies, and challenges. It also discusses the impact of LCCs on the aviation industry in India, including the growth of air travel, increased competition, and changes in the pricing and service models of traditional airlines.

Nayak and Padhy's (2018) study focused on the business models, strategies, and future prospects of low-cost carriers (LCCs) in India. The study used a mixed-methods approach, including a survey of 300 passengers and interviews with industry experts and airline executives.

The study found that LCCs in India primarily use the point-to-point model, which involves connecting two destinations without any intermediary stops. This model allows LCCs to offer lower fares by reducing the operational costs associated with intermediate stops. The study also found that LCCs in India focus on offering basic services to passengers and generating additional revenue through ancillary services such as baggage fees and in-flight food and beverage sales.

The study identified several key factors that have contributed to the growth of LCCs in India, including the liberalization of the Indian aviation industry, the rise of the middle class, and the emergence of low-cost carriers as a viable alternative to other modes of transportation. However, the study also noted that LCCs in India face several challenges, including high operating costs, regulatory barriers, and infrastructure constraints.

The study identified several strategies that LCCs in India can adopt to overcome these challenges and ensure future growth. These strategies include investing in new technologies to improve operational efficiency, expanding their networks to include more international destinations, and forming partnerships with other airlines to increase their reach and customer base.

Overall, Nayak and Padhy's study provides valuable insights into the business models, strategies, and future prospects of LCCs in India. The study highlights the importance of innovation, efficiency, and strategic partnerships in ensuring the continued growth and success of LCCs in the Indian aviation industry.

**"Impact of Low-Cost Carriers on the Indian Aviation Industry"**

### (Soni & Singal, 2015)

This study analyses the impact of LCCs on the Indian aviation industry, including changes in market structure, pricing, and services. It also examines the financial performance of LCCs and their impact on traditional airlines, airport infrastructure, and air travel demand.

Soni and Singal's (2015) study investigated the impact of low-cost carriers (LCCs) on the Indian aviation industry. The study used both qualitative and quantitative research methods, including a survey of 350 passengers and interviews with airline executives and industry experts.

The study found that LCCs have had a significant impact on the Indian aviation industry, particularly in terms of increasing competition and lowering fares. LCCs have stimulated demand for air travel by making it more affordable for a larger segment of the population, and have also contributed to the growth of regional connectivity by connecting smaller cities and towns with major urban centers.

However, the study also identified several challenges faced by LCCs in India, including high operating costs, regulatory constraints, and infrastructure bottlenecks. LCCs in India have had to adapt their business models to overcome these challenges, including by adopting innovative pricing strategies and developing new revenue streams through ancillary services such as baggage fees and in-flight sales.

The study also found that traditional carriers in India have been impacted by the emergence of LCCs, with some struggling to compete with the low fares offered by LCCs. However, the study noted that traditional carriers have also adopted LCC-like practices, such as offering unbundled pricing options and reducing operating costs, in order to remain competitive.

The study concluded that LCCs are likely to continue to play a significant role in the Indian aviation industry, particularly in promoting regional connectivity and stimulating demand for air travel. However, LCCs will also face ongoing challenges, including regulatory constraints and the need to maintain profitability in a highly competitive market.

Overall, Soni and Singal's study provides a comprehensive analysis of the impact of LCCs on the Indian aviation industry, highlighting both the opportunities and challenges faced by LCCs and traditional carriers in India.

**"Low-Cost Airlines and Their Impact on Indian Aviation Industry"**

### (Sharma & Singh, 2019)

This study examines the emergence and growth of LCCs in India, their business models, and their impact on the Indian aviation industry. It discusses the challenges faced by LCCs in India, including regulatory hurdles and airport infrastructure constraints, and the opportunities for growth and expansion in the Indian market.

Sharma and Singh's (2019) study aimed to explore the impact of low-cost airlines on the Indian aviation industry. The study used a mixed-methods approach, including a survey of 150 passengers and interviews with airline executives and industry experts.

The study found that low-cost airlines have had a significant impact on the Indian aviation industry, particularly in terms of increasing competition and stimulating demand for air travel. Low-cost airlines have also helped to expand the market by making air travel more affordable and accessible to a wider segment of the population, including those who previously could not afford to fly.

However, the study also identified several challenges faced by low-cost airlines in India, including high operating costs, regulatory barriers, and infrastructure constraints. Low-cost airlines have had to adopt innovative strategies to overcome these challenges, including using smaller airports and offering unbundled pricing options for ancillary services.

The study also found that low-cost airlines have disrupted the traditional business models of legacy carriers in India. Legacy carriers have had to adapt by reducing their fares and operating costs, and by offering unbundled pricing options to remain competitive.

The study concluded that low-cost airlines are likely to continue to have a significant impact on the Indian aviation industry in the future. However, to maintain profitability and competitiveness, low-cost airlines will need to continue to innovate and adapt to changing market conditions, including regulatory changes and infrastructure developments.

Overall, Sharma and Singh's study provides valuable insights into the impact of low-cost airlines on the Indian aviation industry. The study highlights the opportunities and challenges faced by low-cost airlines in India, and underscores the need for ongoing innovation and adaptation to ensure continued growth and success in this dynamic and rapidly evolving market.

**"Low-cost carriers in India: Impact on the aviation industry"**

### (Verma & Chaturvedi, 2018)

This study analyses the impact of LCCs on the Indian aviation industry, including changes in market structure, pricing, and services. It also discusses the challenges faced by traditional airlines in responding to the emergence of LCCs and the potential for collaboration and partnership between LCCs and traditional airlines.

Verma and Chaturvedi (2018) conducted a study on the impact of low-cost carriers (LCCs) on the Indian aviation industry. The authors analysed the growth of LCCs in India and their impact on the industry's performance, including revenue, passenger traffic, and profitability.

The study found that LCCs had a significant impact on the Indian aviation industry. The growth of LCCs led to increased competition, which resulted in lower fares and increased passenger traffic. This, in turn, led to an increase in the overall size of the aviation market in India.

The authors also found that the entry of LCCs led to changes in the industry's business model. Traditional full-service carriers (FSCs) had to reduce their fares and costs to remain competitive with LCCs. FSCs also had to adopt LCCs' business practices, such as unbundling services and charging for ancillary services.

The study concluded that LCCs had a positive impact on the Indian aviation industry by increasing competition, reducing fares, and expanding the market. However, the authors noted that LCCs faced challenges in sustaining profitability due to rising fuel costs and intense competition. LCCs also faced regulatory barriers, such as high airport charges and limited access to landing slots.

Overall, the study suggests that LCCs have transformed the Indian aviation industry by bringing about increased competition, lowering fares, and expanding the market. However, the challenges faced by LCCs highlight the need for a supportive regulatory framework that encourages competition and innovation in the industry.

Overall, these studies suggest that LCCs have had a significant impact on the Indian aviation industry, including changes in market structure, increased competition, and changes in the pricing and service models of traditional airlines. They also highlight the challenges and opportunities facing LCCs in India, including regulatory hurdles, airport infrastructure constraints, and potential for growth and expansion.

## Need for study

The emergence of low-cost carriers (LCCs) in the Indian aviation industry has had significant implications for the industry. One of the most notable impacts has been increased competition in the market. LCCs have disrupted the industry's traditional business model by offering nofrills, low-cost services that appeal to budget-conscious travellers.

As a result of this increased competition, traditional full-service carriers (FSCs) have had to adapt to remain competitive. This has led to a reduction in fares, a streamlining of operations, and an increased focus on cost-cutting measures. FSCs have also started to offer some lowcost services and have unbundled their fares to match LCCs' pricing strategies.

Another implication of LCCs' emergence has been an increase in passenger traffic. The availability of low-cost services has made air travel more accessible to a wider range of people, leading to an overall increase in demand. This has resulted in the growth of the industry as a whole, as more people are now traveling by air.

LCCs have also contributed to the growth of smaller airports and regional connectivity. Since LCCs typically operate point-to-point flights, they have opened up new routes to smaller cities and towns that were previously underserved by larger airlines. This has helped to stimulate economic growth in these regions by improving accessibility and facilitating business travel.

However, the growth of LCCs has not been without its challenges. Rising fuel costs and intense competition have put pressure on LCCs' profitability, and many have struggled to sustain profitability over the long term. LCCs have also faced regulatory barriers, such as high airport charges and limited access to landing slots, which have made it difficult for them to operate effectively.

Overall, the emergence of LCCs in the Indian aviation industry has had significant implications for the industry, including increased competition, reduced fares, expanded market, and growth of smaller airports and regional connectivity. However, the challenges faced by LCCs highlight the need for a supportive regulatory framework that encourages competition and innovation in the industry.

Aviation in India is still a very underpenetrated market if you ask any expert

As per 2019, In India for total sum of 133 crore people there are only 565 commercial aircrafts at the same time American airline “one” of the airlines in the USA have a fleet size of 956 aircrafts!

The whole Unites States have a massive sum of 7309 aircrafts including the Boeing 747s for the sum of 32 crore people only. Newly constructed Airports in India are not efficient. The Chhatrapati Shivaji Maharaj Airport have only 1 operational runway on the other hand airports constructed way back in mid 1900s in the United States such as Los Angeles airport have 7 operational runways. The biggest airport in India that is the Indira Gandhi airport in Delhi have 3 operational runways.

Evidently, we can conclude that the Indian aviation market is very underpenetrated but the question arises is “WHY ARE THE AIRLINES IN INDIA STILL SHUTTING DOWN?” 2008 Deccan Airlines, 2012 kingfisher Airlines, 2019 Jet Airways.

## 2. Research Methodology

This section consists of research of data collection, the sampling technique, statistical tool used for analysis, data representation technique, etc.

• Sources of data

The data for research has been collected from two sources-

A. Primary sources. B. Secondary sources.

**OBJECTIVE**

The objective of this research is to understand consumer perception and the factors important for the decision making related to air travel.

And professional insights on the matter of study.

**Primary Source**

The data which is collected for the first time are called primary source of data. Primary data are collected from primary sources. Here the primary data are collected through observation, direct communication with the respondent and finally by asking them the questions included in the survey.

Data is also collected with the help of one on one interviews with the aviation professionals.

**Secondary Source**

Secondary source of data is those which have already been collected by someone else and have already been passed through statistical process. Here the secondary sources of data are collected through the internet.

**Components of the Data source-**

1. Survey Area –

Majority of the candidates are from Mumbai, the rest of the candidates are from different parts of India such as Rajasthan, Punjab, Prayagraj and Delhi.

1. Research design-

The research study conducted is of descriptive type. Descriptive research includes survey and facts findings of different kinds. The major purpose of such research is description of the research as it exists at present.

For primary data, Open and Close ended questionnaires and survey forms were circulated to get an opinion of the population, information collected varies from descriptive factors to personal preferences, choices, wants or needs of the individual in regards to automobile industry. All data collected is original and unique to the topic

For secondary data, newspaper references and online articles have been utilised. Key important public information from various automobile companies, studies on consumer behaviour articles and past literature on the topic was analysed.

1. Research Instrument-

The primary data collected is original in nature with the use of a survey form

Secondary data was collected via the internet from online articles, videos, studies and other research demographics.

1. Sampling Technique and Design-

A sample is a definite plan for obtaining a sample from a given population. Sampling technique refers to the technique or the procedure the research adopts in selecting items for the sample. Sample design is determined before data are collected.

Sampling technique applied for this survey was Random selection from the population.

1. Sample Size-

The survey is based on a sample of **\_\_\_\_\_\_\_\_\_\_** with Indian residency above the age of 18 years

1. Data Representation Tools-

The collected data have been classified, tabulated and represented through diagrams, tables, pie charts and column charts.

## Objective of the study

The objective of the study on "implications of low-cost carriers on Indian aviation industry" is to understand and analyse the impact of the emergence of low-cost carriers (LCCs) on the Indian aviation industry. The study aims to:

1. Evaluate the growth and development of LCCs in India, including their market share, fleet size, and route network.

1. Assess the impact of LCCs on the performance of the Indian aviation industry, including passenger traffic, revenues, profitability, and market competition.

1. Identify the challenges faced by LCCs in India, including regulatory barriers, rising fuel costs, and intense competition.

1. Analyse the response of traditional full-service carriers (FSCs) to the emergence of LCCs and their efforts to remain competitive in the market.’

1. Understand the implications of LCCs on the growth of smaller airports and regional connectivity in India.

Overall, the study aims to provide insights into the implications of LCCs on the Indian aviation industry, including their impact on market dynamics, consumer behaviour, and industry structure. The findings of the study could be useful for industry stakeholders, policymakers, and researchers in understanding the evolution of the Indian aviation industry and developing strategies for sustainable growth.

## Limitations of the study

*There are various limitations which are to be enlisted-*

1. The sample size was restricted to 125 individuals to represent the vast population. It may not potray the accurate represenation of the entire population in the respective field

1. The scope of study is limited to the population within India.

1. The research is not geographically restricted to an individual city, respondants from various cities across India could participate, thus not being a concentrated study for a specific area.

1. The information provided by the respondents could be biased.

1. This topic is vast and the research conducted does not fully cover the entire scope of the Aviation sector research.

1. The research is present and valid without any concrete definition or a solution to an existing issue, it gives suggestions and no permanent answer to the topic.

## Hypothesis

THE FOLLOWING FACTORS ARE CONSIDERED WHILE DESIGNING THE HYPOTHESES:

1. Low-cost carriers will continue to increase competition in the aviation industry, which may lead to further reduction in fares, improved services, and increased accessibility to air travel.

1. Low-cost carriers may lead to a shift in passenger preferences towards lower fares and reduced services, which may lead to traditional full-service airlines losing market share and being forced to adapt to the changing market dynamics.

1. Low-cost carriers may result in safety concerns, as airlines may cut corners on safety procedures to save costs. This could lead to incidents or accidents that could harm passengers and damage the reputation of the airline industry.

H0: Low-cost airlines increase the competition.

H1: Low-cost airlines does not increase the competition.

H2: Low-cost airlines are highly influencing the consumer preference towards lower fares.

H3: Low-cost airlines does not influence the consumer preference towards lower fares.

H4: Low-cost airlines are causing safety concerns.

H5: Low-cost airlines are not causing any safety concerns.

### Questionnaire 1

TEST 1: Determining age demographic

TEST 2: Most flown airline, industry dominance, customer preference ( H0,H1,H2,H3)

TEST 3: Potential of additional services, reliability of other revenue streams, customer’s willingness to spend on additional services, impact of low-cost airlines on such preferences.

TEST 4: Industry performance from consumer’s point of view, air travel experience.

TEST 5: Price sensitivity of consumers.

TEST 6: Most accepted pricing range, changes in average pricing.

TEST 7: Market for premium flying classes, percentage of business travellers, and preference towards high budget flying.

TEST 8: Most common in-inflight purchase, major scope for airlines to expand and grow.

TEST 9: Customer’s preference towards a full-service/low-cost airline, bias.

TEST 10: Spending on in-flight items, potential for additional revenue streams for the airlines

Test 11: Common airlines in use, use of low-cost airlines in comparison to the full-service.

TEST 12: Air travel frequency, demand in comparison to other modes of transport.

**QUESTIONNAIRE 2:**

Test 12: Job availability in the industry, career certainty.

Test 13: LCC competition impact, health of the competition.

Test 14: Financial struggles of airlines, poor cash flow.

Test 15: Effect on safety in LCCs.

Test 16: Earning opportunities in the aviation industry.

**4. RESULTS AND DISCUSSION**

**Following is an one on one interview taken in flight, with a SpiceJet Boeing 737 PILOT:**

**INTERVIEWER:** Why are the airlines shutting down?

**INTERVIEWEE:** Governments are not letting businesses grow, if there is dollar in the eye, government just wants to make money out of it. Aviation is a high-profile thing, there is money laundering, white to black, black to white. So it attracts investments money pumps in, all government has invested into every bloody airline in the country. During elections money comes out and after election money goes back in. IT IS ALL BECAUSE OF POLITICS. For the airlines shutting down it’s the same, kingfisher shutting down they were having maximum loads. If you ask the pilots and crew, the loads were full. Today your answer why jet shut down look at it after jet comes back, seats will go full.

**INTERVIEWER:** But aren’t they coming back with the low-cost carrier model this time?

**INTERVIEWEE:** No full-service only, there is going to be high-breed model, if passenger wants to pay for a full-service ticket they will, if they want low-cost pricing there will be. What is the difference between a low-cost and a full-service airline? You buy some food onboard and you become full-service.

**INTERVIEWER**: What are your thoughts on airlines operating with low-cost model, compromising with safety?

**INTERVIEWEE:** They can’t.

**INTERVIEWER**: Then what about AirAsia? Their SOP says that the pilots needs to perform a flap-3 landing 98% of times or else their bonus will be reduced.

**INTERVIEWEE:** See that is a different thing, every airline asks you to save fuel, cause at the end of the day all the airlines are here to make a profit. Airlines sells the tickets 6 months down the line, they are selling at the price of fuel which is today. So the difference they are bearing it themselves. All this flap 3 or flaps 30 is saves the fuel.

**INTERVIEWER**: But does it create pressure in pilot’s mind?

**INTERVIEWEE**: No, at the end, the decision is of the pilot’s itself if they want to make a flap 3 landing or not if they can justify it.

Backbone of your flight operations needs to be strong, an airline should be run by the flight operations and not the HR.

**INTERVIEWER**: HR runs the airline??

**INTERVIEWEE:** Because HRs are MBA “we know how to do business”. They don’t get it, flight operations is the one because your product is flight operations, the revenue is from the flight operations and not from the HR policies. It’s not low-cost carrier, you can’t point as the model. You can point point as the management. A person sitting for safety cannot take stand for safety.

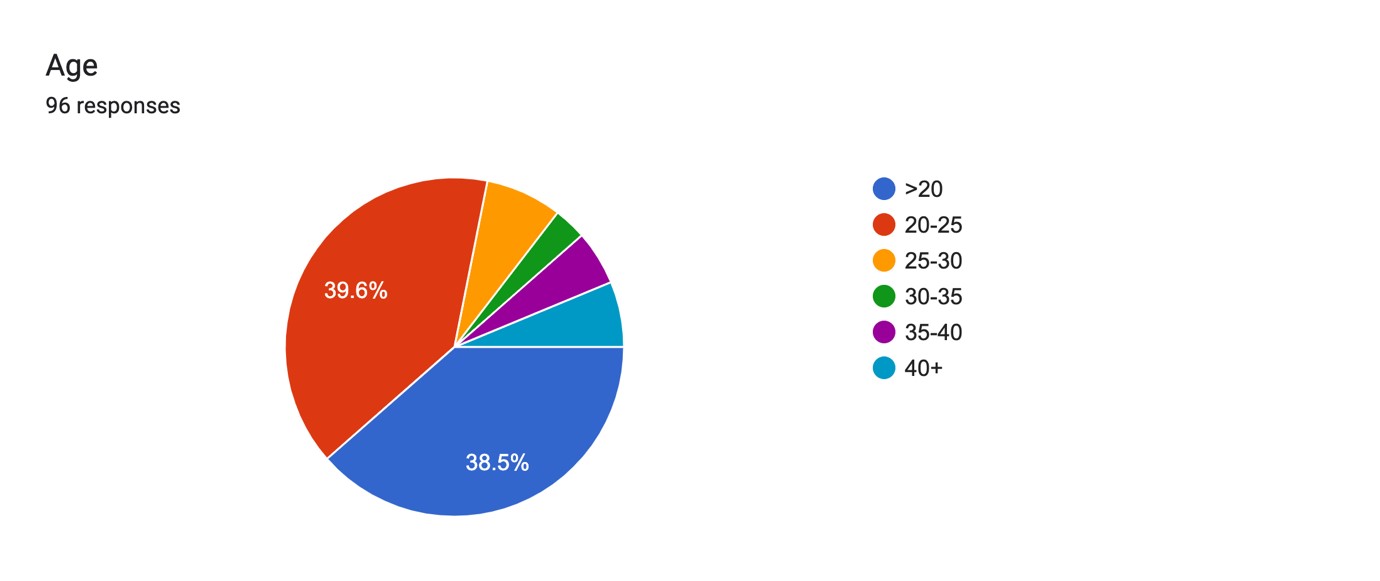
**INTERVIEWER**: Thank you so much.

Conclusion:

The interview gives the insights on how government is affecting the aviation industry. In-fact when we see AirIndia as today, the government is highly responsible for the it. It was only after the government nationalized the aviation industry; all the decisions were as per the government. JRD warned the government, “Running the airline is not like running a Government department, roads and railways are fine but the airlines are capital intensive they need 35 times more capital, to sustain you need to fly for 2500 hours and the current capacity is just 500 hours”. Things become dirty after a few years ministers used to take their families on vacation under the garb of foreign visits Air India had to foot all of these bills. It was only after 2004 which completely destroy the company financially, the aviation minister planned to buy 111 new aircrafts the total cost of which was 50,000 crores! Air India’s total turnover was Rs. 7000 crores which is more than 7 times less than the money spent on the order. In 2007 the Air India and the Indian Airlines were merged, which is considered one of the worst decisions as Air India never earned a single rupee as profit since then. One of the biggest reasons is mismanagement, the nationalization wasn’t just the issue 1953 was the year the government announced nationalization but the graphs started going from 1970s.

It's not just about the Jet Airways, Air India is the flag carrier and the government airline of India before the 2000s air India was thriving flown by mostly the rich class of India. But now things have changed everything started going downhill for Air India. Air India has been losing millions and millions of dollars annually 20 years later the situation still stands. Air India wouldn’t be flying today if it weren’t for the government sucking in the massive losses. Before the Tatas reacquired the company, the government was losing 20 crores on daily basis.

## Determining age demographic



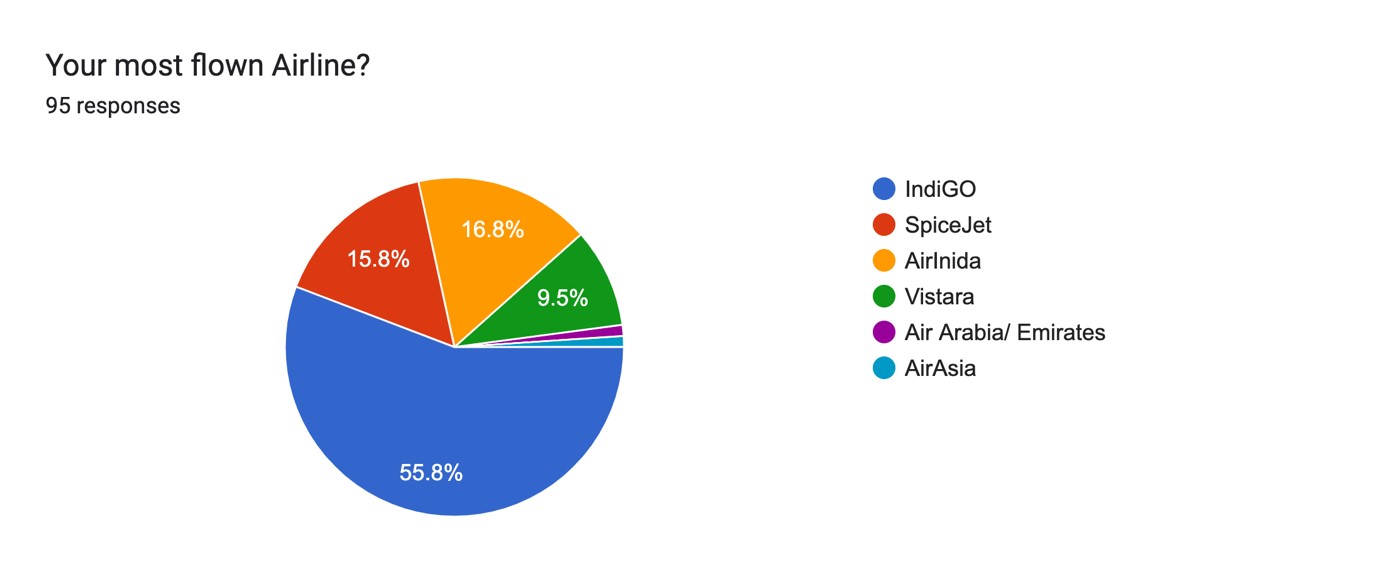
This section determines the age range of the respondents,

I have classified them into 6 groups- Less than 20 , 20-25, 25-30 , 30-35, 35-40 and Above 40

This analysis helps the researcher to formulate and determine the balance or difference between age demographics or what percentage each age group contributes in participating in the automobile industry. The manufacturers can use this data to see which age group is performing well and design or implement their products to fit the needs for the same.

Knowing the age range is essential as it also helps analysers in the aviation industry perform actions such as advertising and broadcasting to reach out new markets or customers.

## Most flown airline, industry dominance, customer preference



Analysis-

More than 70% of the responses are towards the LCCs, IndiGo being the market leader. IndiGo: IndiGo is the largest airline in India, with a market share of around 55%. It operates over 1,500 daily flights to 87 destinations, both domestic and international.

SpiceJet: SpiceJet is the second-largest airline in India, with a market share of around 14%. It operates over 600 daily flights to 63 destinations, both domestic and international.

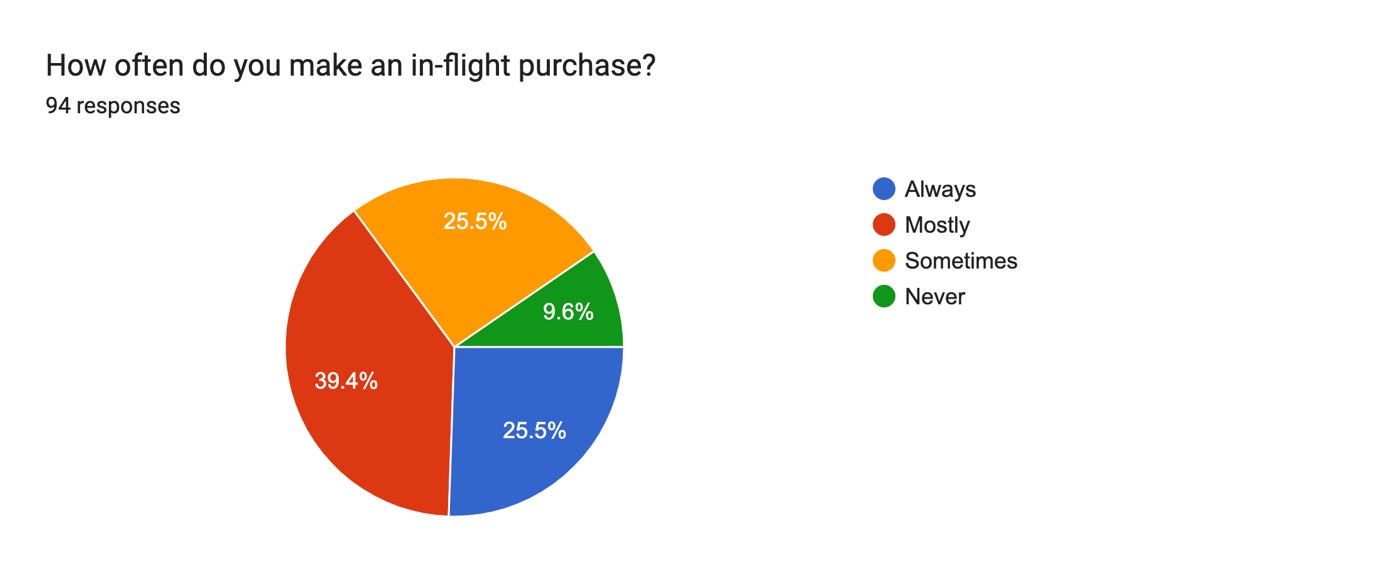
Air India: Air India is the national flag carrier of India, with a market share of around 11%. It operates around 500 daily flights to 94 destinations, both domestic and international.

GoAir: GoAir is a low-cost airline that operates over 300 daily flights to 36 destinations, both domestic and international, with a market share of around 9%.

Vistara: Vistara is a full-service airline that operates over 200 daily flights to 33 destinations, both domestic and international, with a market share of around 7%.

The Indian Aviation market is dominated by the low cost airlines, the national carrier that is AirIndia has only 16.8% share.

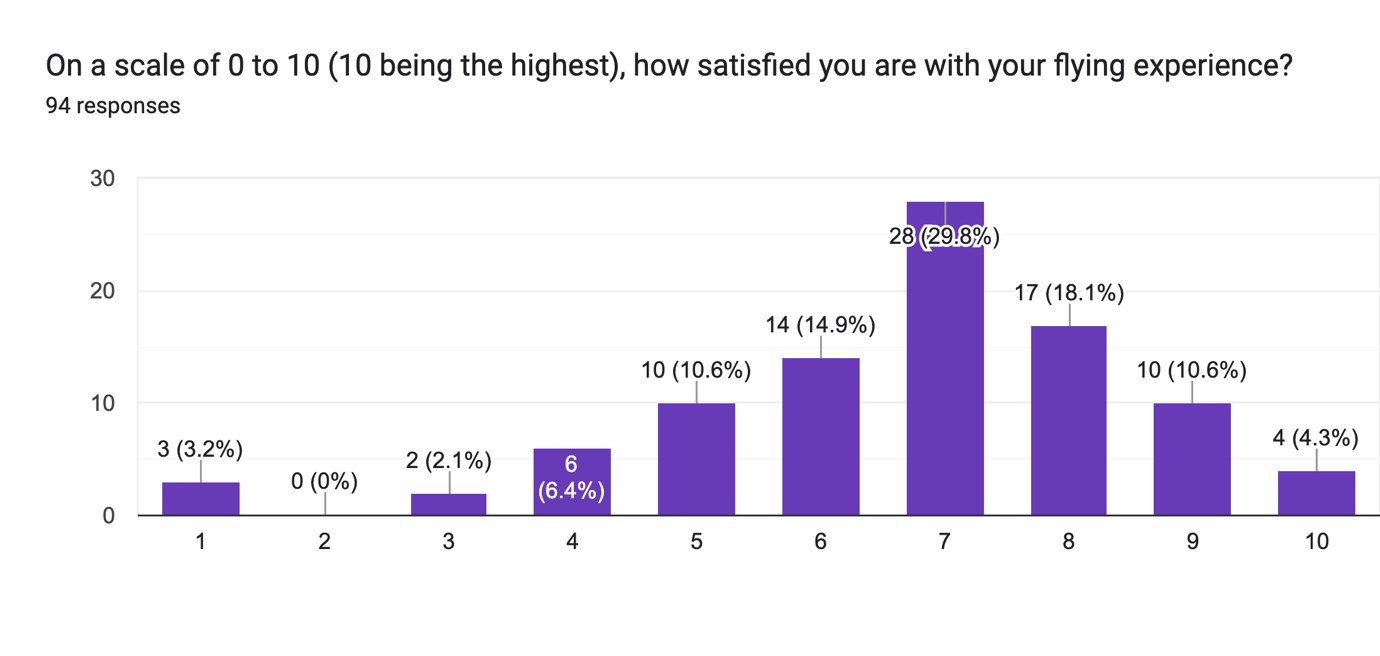
## Potential of additional services, reliability of other revenue streams, customer’s willingness to spend on additional services, impact of low-cost airlines on such preferences



Analysis-

More than 90% of the respondents make in-flight purchases. The concept of such revenue streams is introduced by the low-cost airlines itself, it shows high influence in the consumer preferences. 25% of respondents being a regular consumer of such services, it shows high scope of earning from such streams.

**Industry performance from consumer’s point of view, air travel experience.**



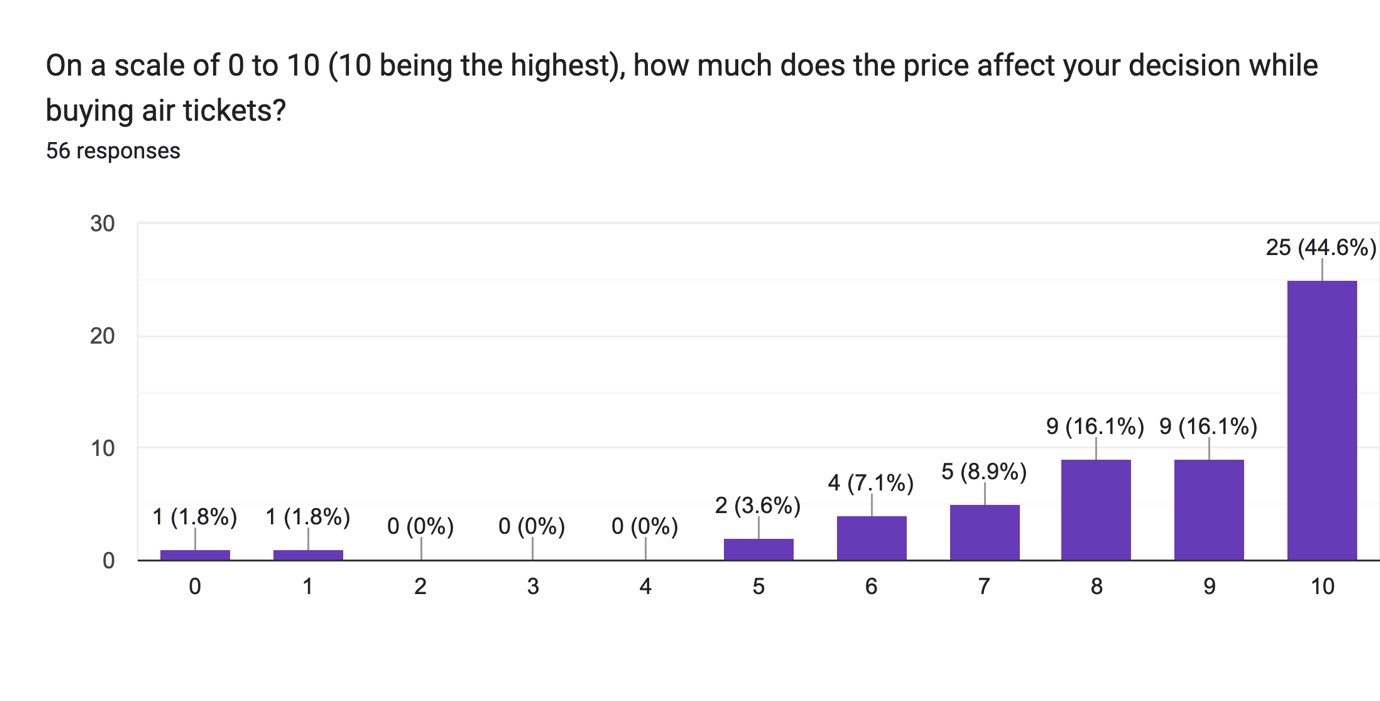
Analysis-

The Average rating being 7, it comes out to be a satisfactory statistic. Lower prices being the major factor behind.

According to the latest Air Travel Consumer Report published by the Directorate General of Civil Aviation (DGCA), the overall satisfaction level of Indian customers with domestic airlines in 2021 was around 78%. This is a slight increase from the satisfaction level of around 75% in 2020. The survey takes into account factors such as on-time performance, baggage handling, check-in experience, and in-flight services.

In terms of specific airlines, IndiGo and AirAsia India ranked highest in customer satisfaction in the DGCA survey, followed by SpiceJet and Vistara. Air India and GoAir ranked lower in customer satisfaction.

## Price sensitivity of consumers



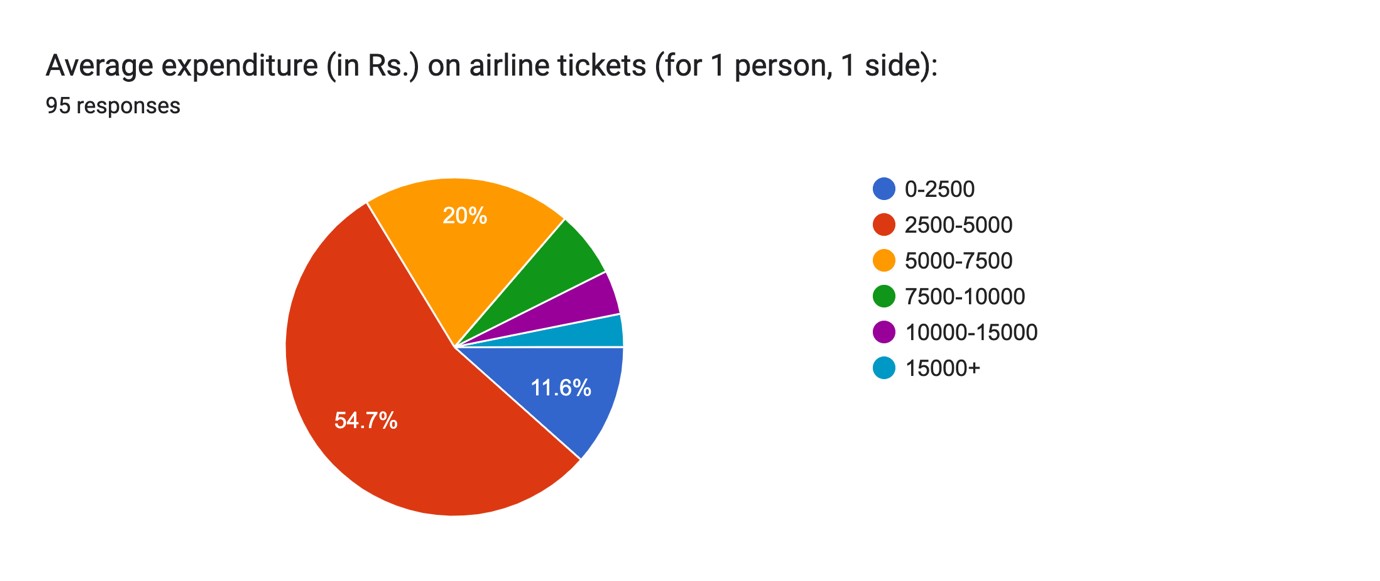
Analysis-

Majority of responses rates the scale as 10, which shows that price is a very crucial factor for consumers while booking their tickets. This is the perfect environment for the low-cost carriers to grow, high price-sensitivity will induce airline to charge the most reasonable price in order to be preferred. This factor can cause a very tough competition in the industry, which isn’t ideal as a large part of airline expenses are towards regulatory and safety compliance, cost-cutting in such areas can lead to serious implications, such as compromise with adequate safety standards, pay-cuts, and even high-pressure working environment for the employees without adequate pay.

### Conclusion

Indian consumers are highly price-sensitive when it comes to air travel. The rise of low-cost carriers and the economic impact of the COVID-19 pandemic have further intensified this trend. Airlines need to strike a balance between offering competitive fares and providing quality services to meet the expectations of price-sensitive Indian consumers.

**Most accepted pricing range, changes in average pricing.**



Analysis-

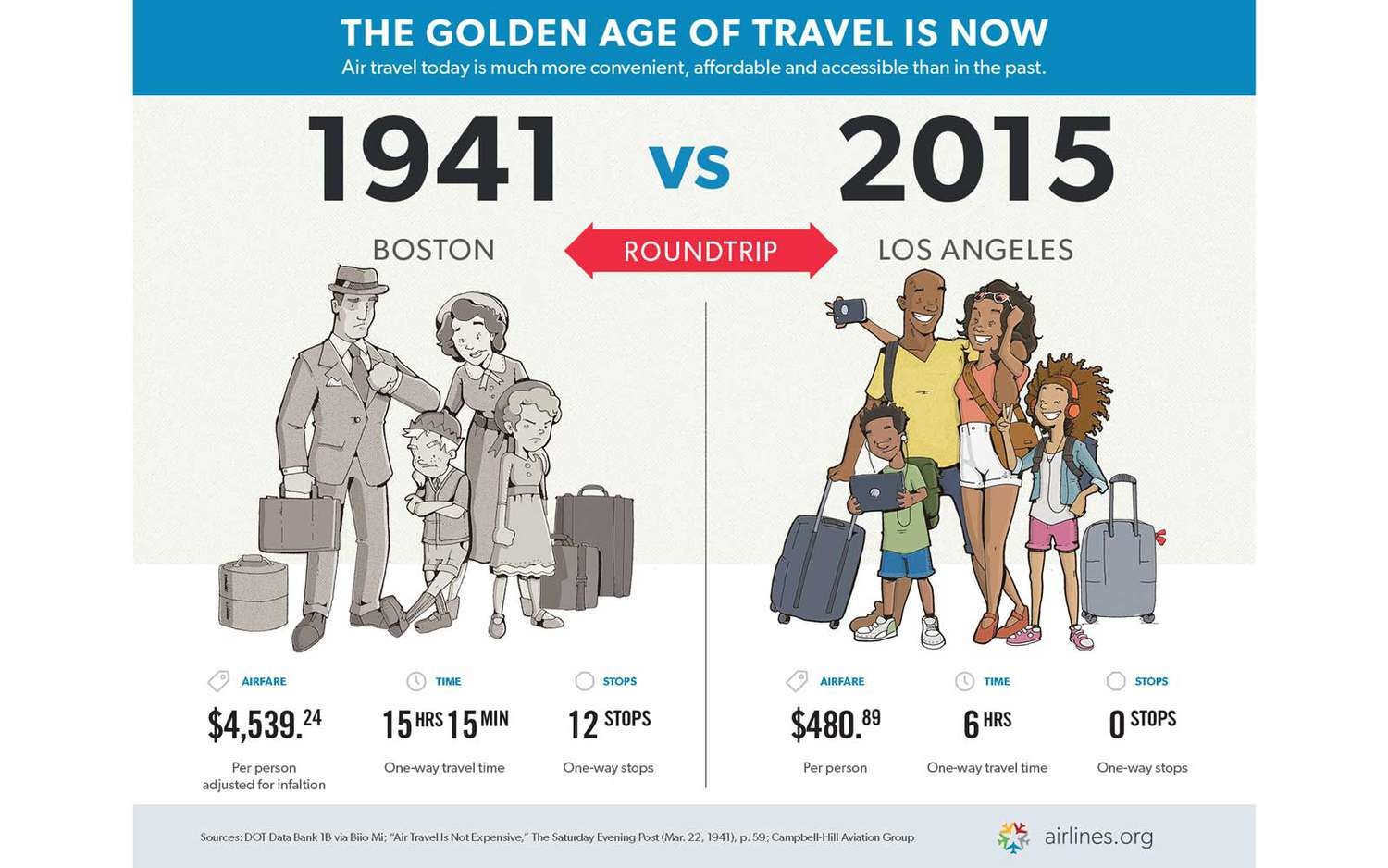
Majority of the universe reports their airfares to be between RS. 2500-5000, which is a significantly smaller number as compared to past figures. While inflation is increasing the cost of air travel is shrinking. As the LCCs are dominating the market, the average cost of an air ticket is now significantly lower. In order to sustain, even the full-service airlines are charging lower fares as compared to past.

The average price of an air ticket in India can vary depending on several factors such as the airline, the route, the class of travel, and the time of year. However, in general, domestic airfares in India are relatively affordable compared to other countries.

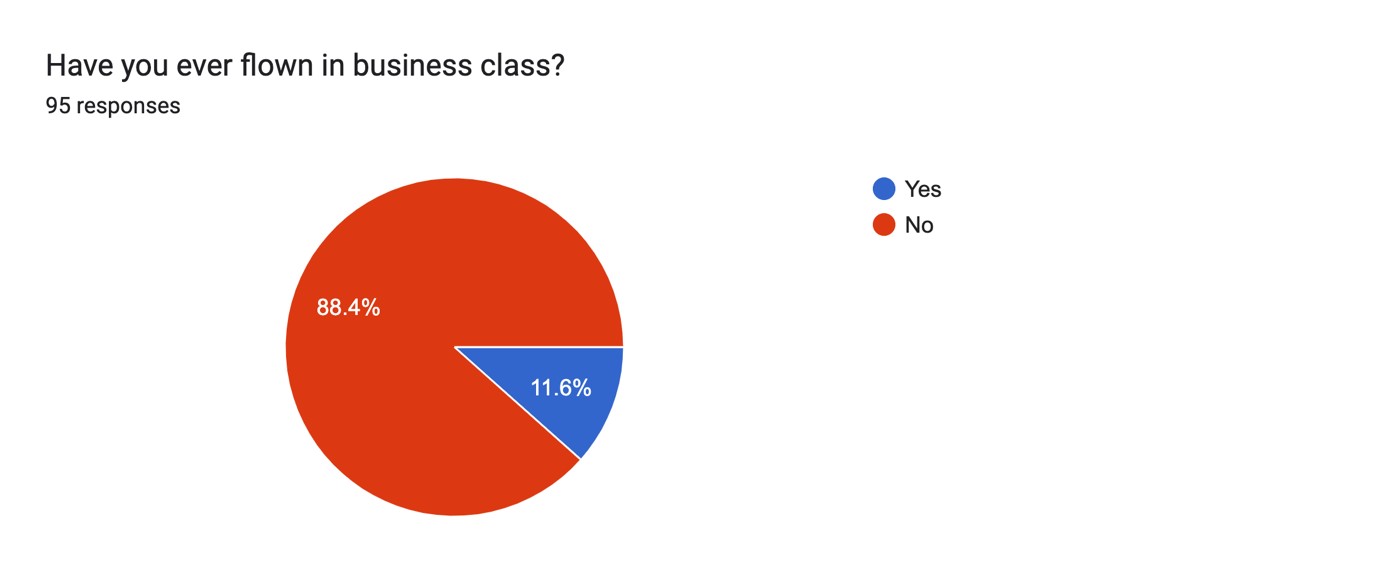
According to a report by the Directorate General of Civil Aviation (DGCA), the average domestic airfare in India in 2020 was around INR 4,703 (approximately USD 64) for a oneway ticket. This is a decrease from the average domestic airfare of around INR 5,336 (approximately USD 73) in 2019.

### Conclusion

The average price of an air ticket in India can vary depending on several factors, but domestic airfares in India are generally affordable compared to other countries. The COVID-19 pandemic has had a significant impact on airfares in India, with airlines offering discounted fares to attract travellers.



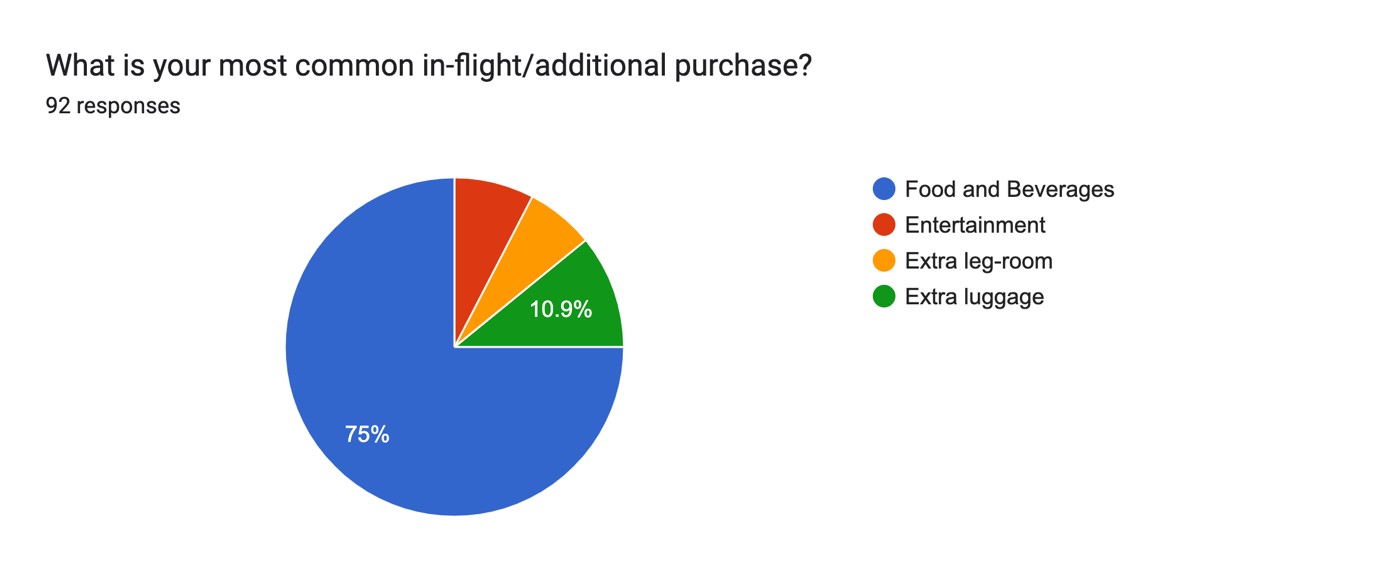
**Market for premium flying classes, percentage of business travellers, and preference towards high budget flying.**



Analysis-

Business class travel the luxurious segment of air-travel, full-service airlines provides these services, charging significantly higher amount. 88.4% of the respondents never flew business class. This shows that the market for the same is extremely small. LCCs do not have a business class onboard, instead more economy seats are fitted in order to acquire more customers. The data supports the same.

**Most common in-inflight purchase, major scope for airlines to expand and grow.**

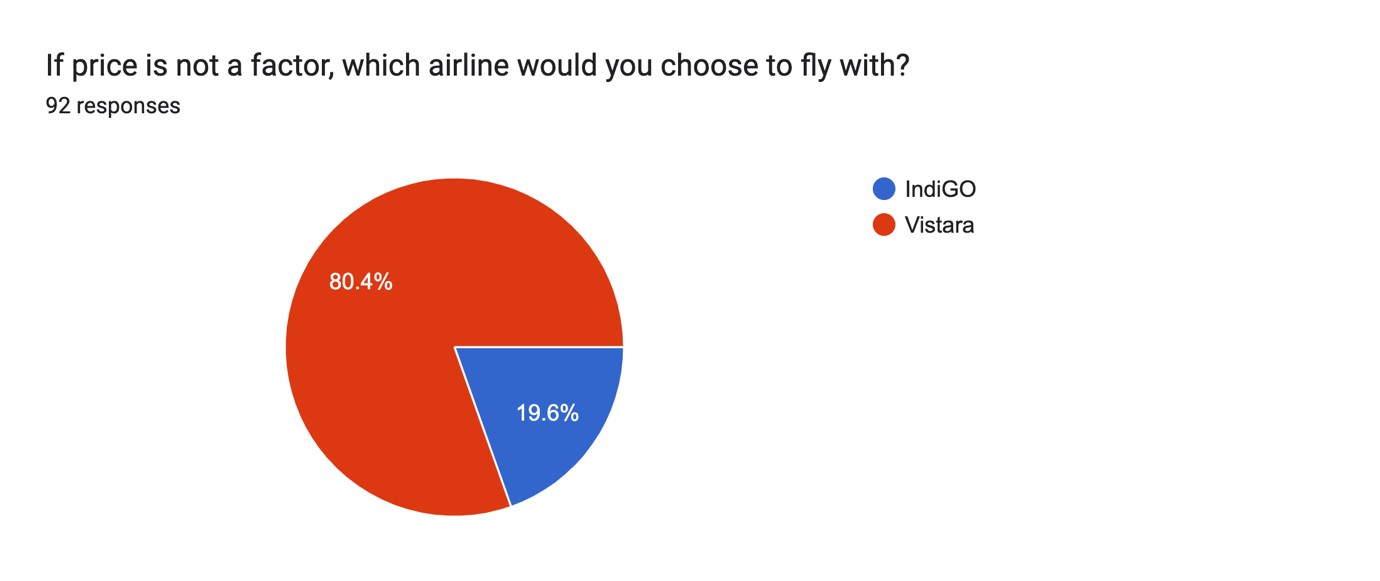


Analysis-

A major chunk of the income, for low-cost airlines comes through the in-flight services. The data above shows that the whopping 75% of the respondents who spend their money in in-flight services, are purchasing food items on board. This is an important data for the airlines, as they accordingly optimise their services. These services, provides some additional margins to the airlines, which allows them to provide an even better price.

Airlines in India offer a wide range of food and beverage options to passengers on board flights. These can include snacks, sandwiches, meals, tea, coffee, soft drinks, and alcoholic beverages. Most airlines have a menu that is available to passengers, and they can place an order for their choice of food and drinks.

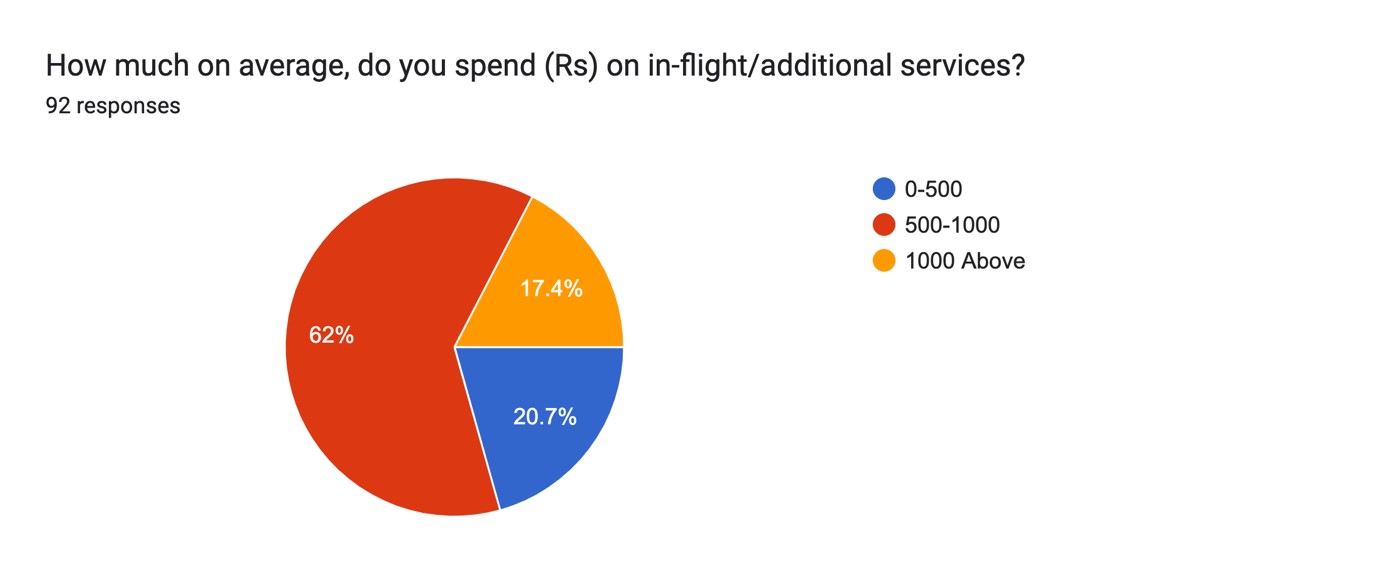
**Common airlines in use, acceptance of low-cost airlines in comparison to the full-service.**



Analysis-

The above data contradicts the actual market share data, the above question is comparing preference in service between a low-cost airline and a full-service airline, IndiGO and Vistara respectively. 80.4% people have chosen Vistara over IndiGo. In reality, IndiGo has more than 5 times of the market share as compared to Vistara.

**Spending on in-flight items, potential for additional revenue streams for the airlines**

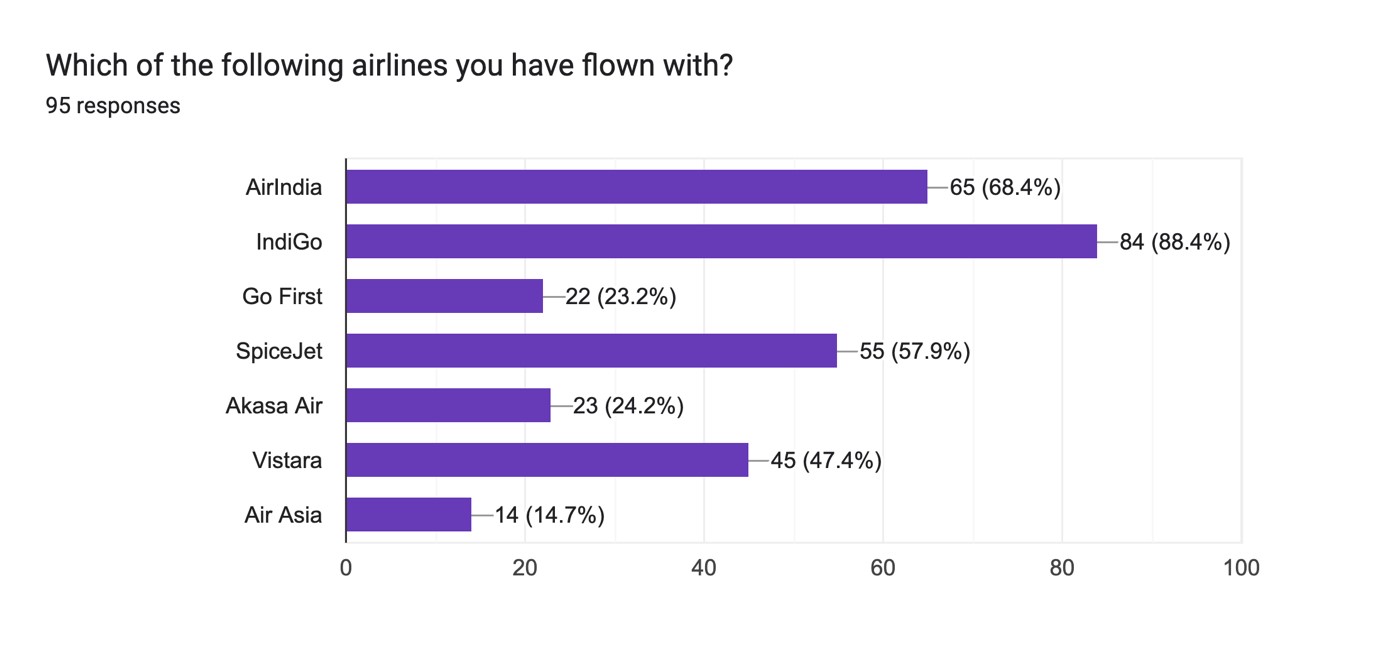


Analysis-

The profits earned from the air-tickets are bare minimum. These in-flight services are the additional source of revenue over the base fare. Above data shows that majority of the purchases are between the value of Rs.500-1000. It is a substantially big number.

Inflight purchases are a common feature of air travel in India, with airlines offering a variety of products and services for passengers to purchase during their flight. These purchases can include food and beverages, duty-free products, inflight entertainment, Wi-Fi access, and magazines and newspapers. However, it is important to note that the availability of these purchases may vary depending on the airline and the flight. Overall, inflight purchases are a convenient way for passengers to enjoy a range of products and services while flying.

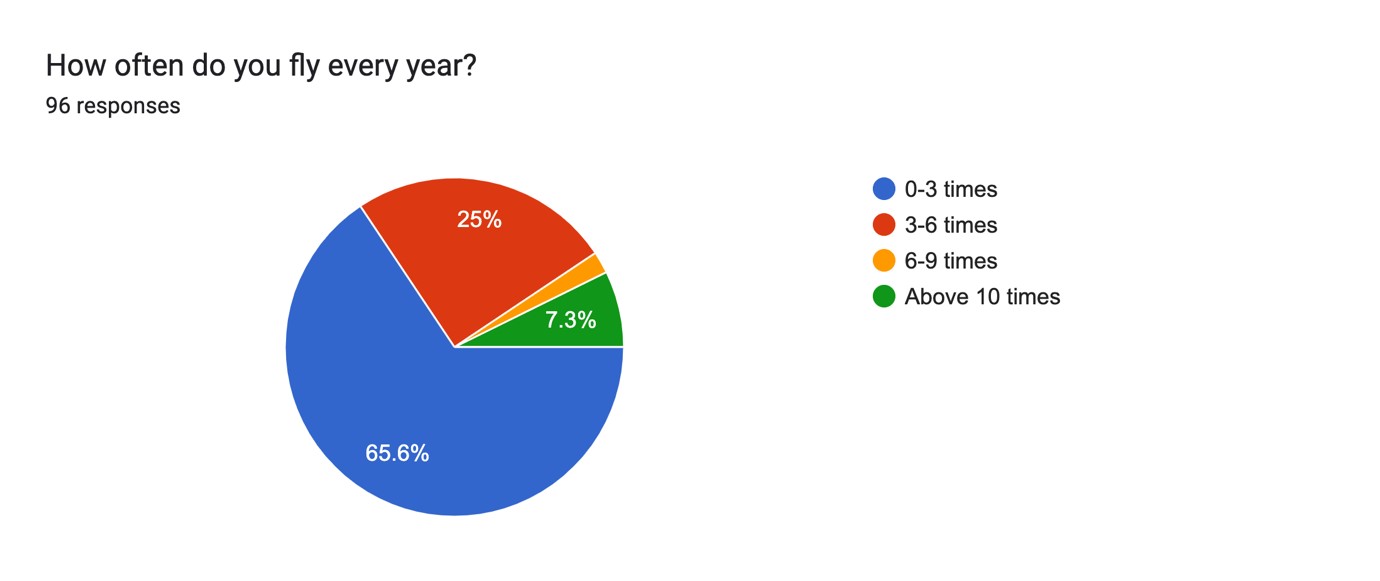
**Common airlines , use of low-cost airlines in comparison to the full-service.**



Analysis-

The above data shows 88% of flyers at some point have flown with IndiGo, 68.4% of them have flown with AirIndia, 57.9% with SpiceJet, 47.4% with Vistara. This data shows that majority of flyers have flown with IndiGo, which proves them to be more competitive in market. The above data is also influenced with routes of the airlines, more routes an airline operates with, it’s more likely that, they become an obvious choice for the customers.

**Air travel frequency, demand in comparison to other modes of transport.**

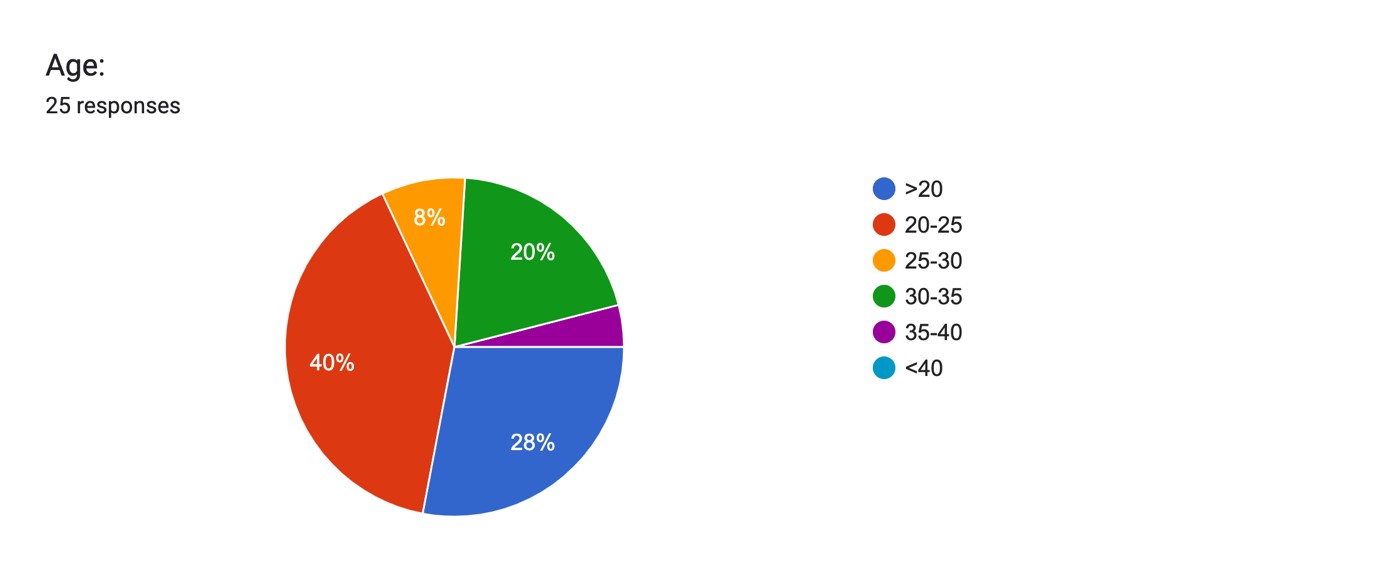


Analysis-

The above data shows that the India is a highly underpenetrated market. Most of the population date could not afford to fly, and one flying are not it much often. Only 7.3% of respondents fly more than 10 times every year, while a whopping 65.6% only flies between 0-3 times. This data shows that there is huge potential in the industry in upcoming years. The growth rate is above 5% yearly which is a very positive number and we might see more and more airlines investing in Indian market. This on the hand can even worsen the safety standards as the increased competition will reduce prices even further, reducing the margins and increasing the sustainability issues.

**Questionnaire number: 2**

## Determining age demographic

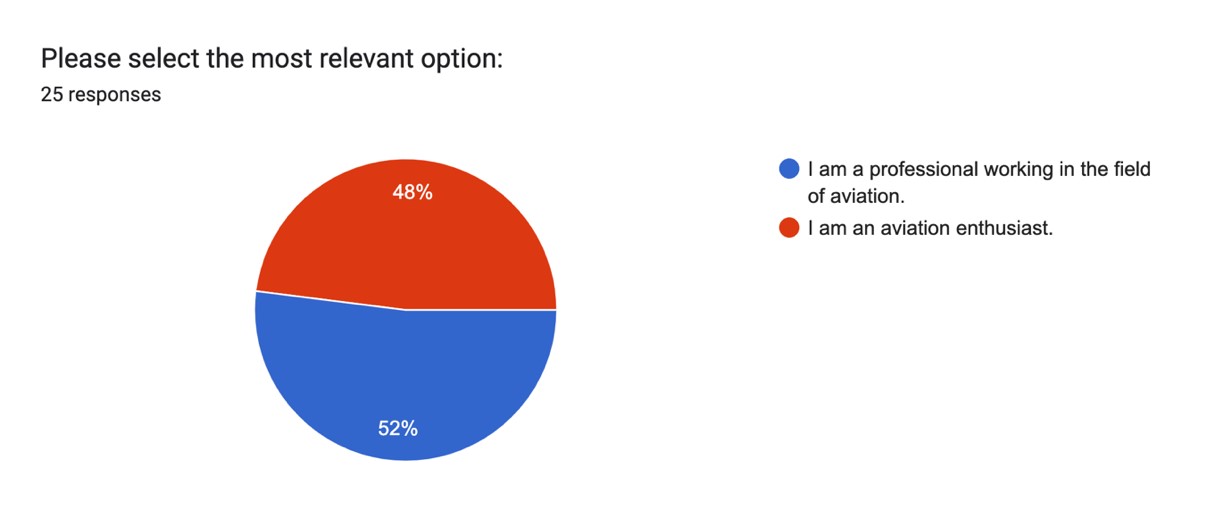


This section determines the age range of the respondents,

I have classified them into 6 groups- Less than 20 , 20-25, 25-30 , 30-35, 35-40 and Above 40

This analysis helps the researcher to formulate and determine the balance or difference between age demographics or what percentage each age group contributes in participating in the automobile industry. The manufacturers can use this data to see which age group is performing well and design or implement their products to fit the needs for the same.

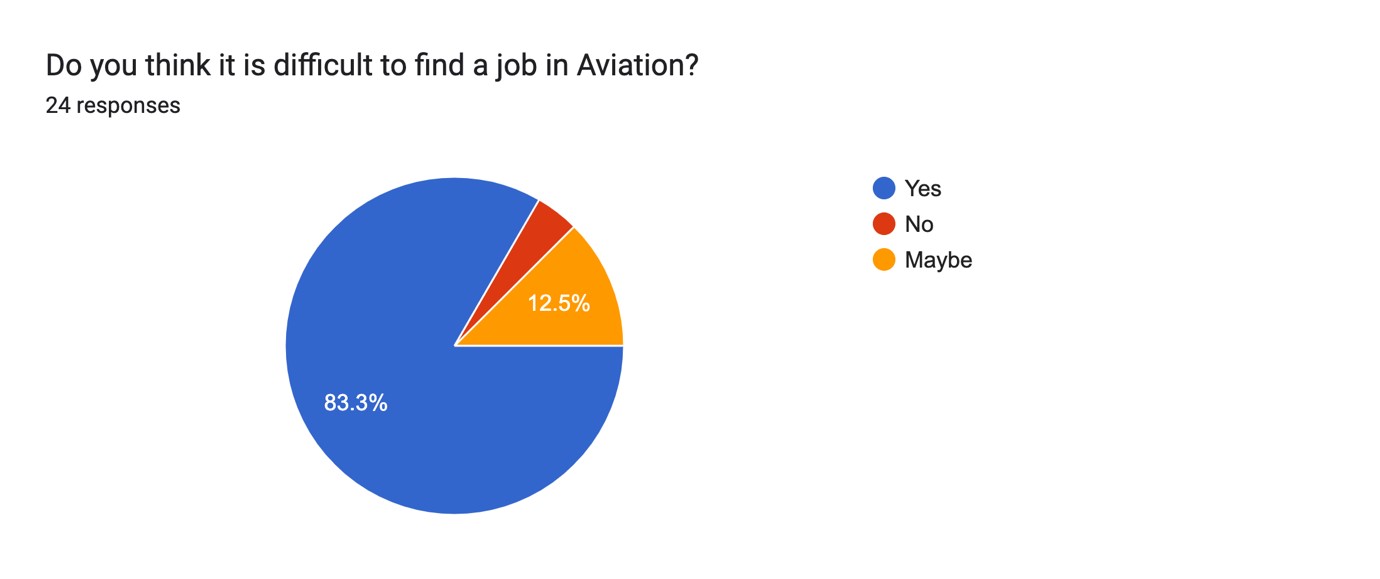
**Demographic on Aviation Professionals and Enthusiasts**



This section determines whether the respondent is a professional working in the industry or an enthusiast with relevant knowledge to comment on the matter.

Classified into the following groups namely- Professional, enthusiast.

**Job availability in the industry, career certainty.**



Analysis-

The aviation industry in India has been facing a scarcity of jobs in recent years, due to a combination of factors. One of the main factors contributing to this scarcity is the highly competitive nature of the industry, with many qualified candidates vying for a limited number of job opportunities. Additionally, the COVID-19 pandemic has had a significant impact on the aviation industry, with many airlines and other aviation companies forced to cut back on staff and operations in order to stay afloat.

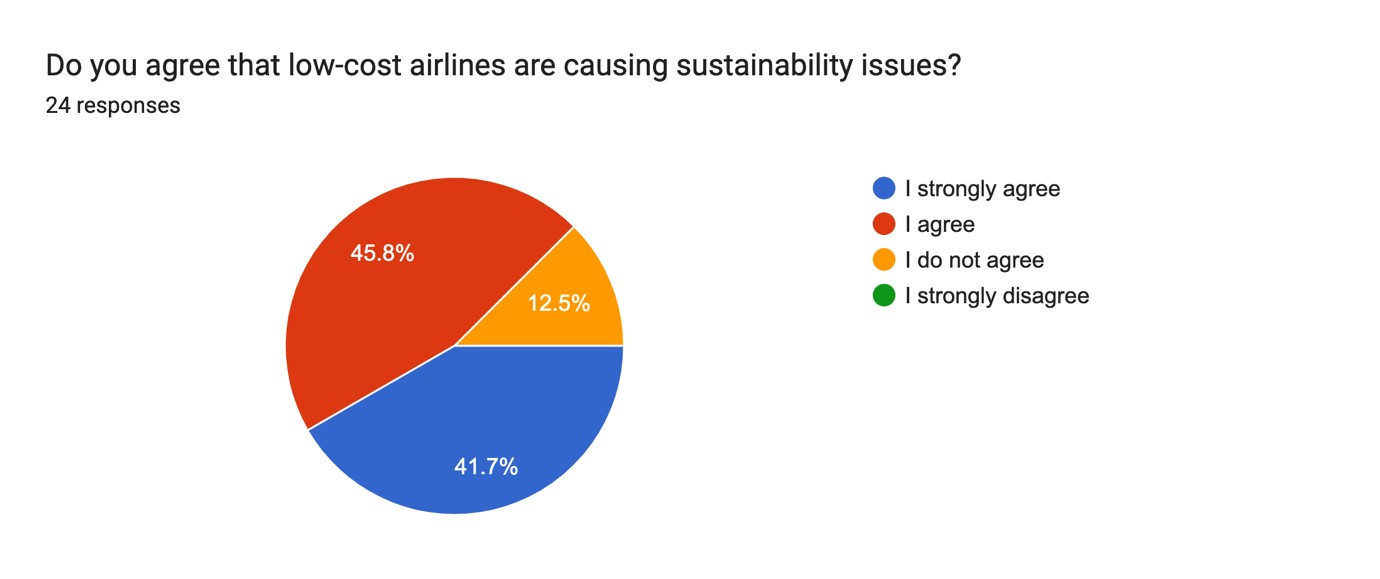
Another factor that has contributed to the scarcity of jobs in the aviation industry in India is the rapid growth of automation and technological advancements. Many jobs that were once performed by human workers are now being automated, leading to a reduction in the number of jobs available in certain areas of the industry.

Despite these challenges, there are still opportunities available for those looking to enter the aviation industry in India. Candidates with specialized skills and experience in areas such as engineering, maintenance, and operations are likely to have better prospects of finding employment in the industry. Additionally, candidates who are willing to take on entry-level positions and work their way up may also be able to secure jobs in the aviation industry over time.

**Conclusion:**

It is speculated that since the industry is so underpenetrated, the job opportunities are scarce. For the professionals looking forward to find to job in the industry, it becomes highly competitive. The data shows that less that 5% of respondents thinks that it is not difficult to find a job in aviation while 12.5% of respondents says ‘maybe’. And 83.3% of respondents agrees that it is difficult to find a job. This makes it very difficult for the employees, it indicates less demand from the airlines, and so is the pay.

**LCC competition impact, health of the competition.**



Analysis-

LCCs are known for their reasonable pricing, this makes it difficult for certain airlines to withstand. The data proves that the competition is so unhealthy that it is straight away causing sustainability issues. There are multiple factors that plays multiple roles here. LCCs being a major factor, adding up to the pressure on the full-service airlines.

Low-cost carriers have gained popularity in recent years for their affordable fares and simplified services. However, there are concerns that LCCs may be causing sustainability issues in the aviation industry. Here are some of the reasons why:

Increased air travel: LCCs have made air travel more affordable and accessible, leading to an increase in the number of people traveling by air. This increased demand for air travel contributes to carbon emissions, which can have a negative impact on the environment.

Short-haul flights: LCCs typically operate short-haul flights, which are less fuel-efficient per passenger-kilometre than longer flights. This means that LCCs emit more carbon per passenger-kilometre than full-service carriers operating longer routes.

Cost-cutting measures: LCCs often cut costs by using older, less fuel-efficient aircraft and minimizing in-flight services such as meals and beverages. These cost-cutting measures can impact the quality of the flying experience and contribute to higher carbon emissions.

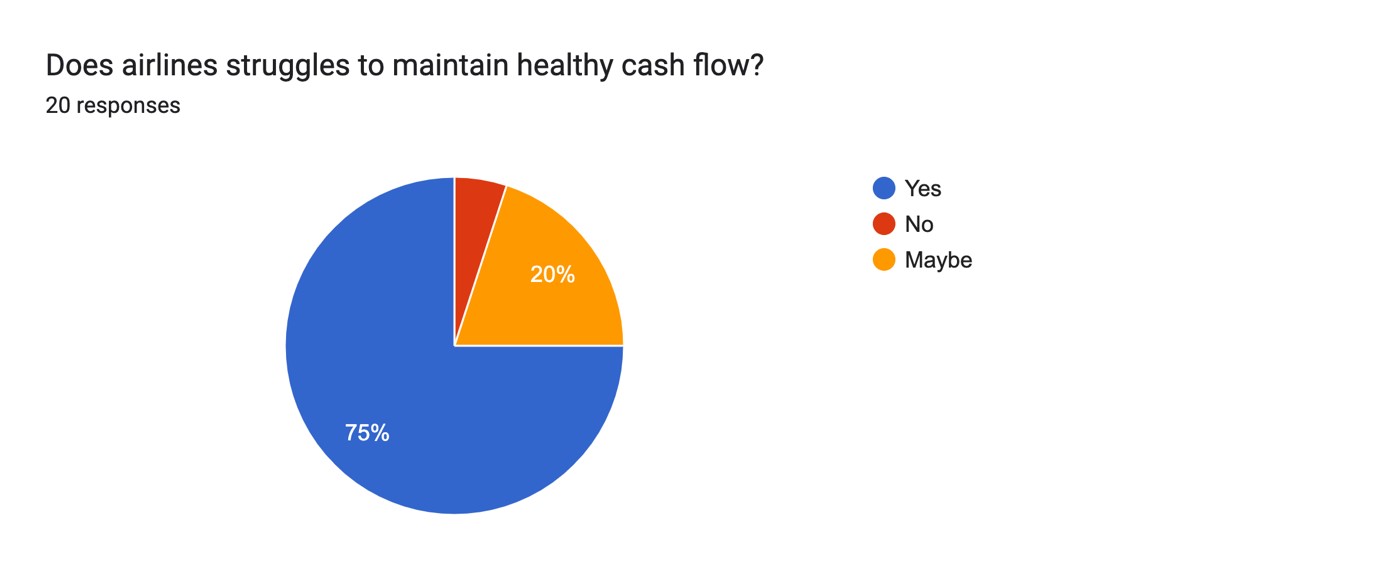
Overcrowding: LCCs often use smaller aircraft and maximize capacity to keep fares low. This can lead to overcrowding and discomfort for passengers, which can impact the overall sustainability of air travel.

Airport congestion: LCCs operate from smaller, secondary airports to keep costs low. However, this can lead to airport congestion and an increase in carbon emissions from ground transportation.

### Conclusion

LCCs have contributed to making air travel more affordable and accessible. However, the low-cost business model may also have sustainability issues, such as increased air travel, short-haul flights, cost-cutting measures, overcrowding, and airport congestion. It is important for LCCs to adopt more sustainable practices to minimize their impact on the environment and ensure the long-term sustainability of the aviation industry.

**Financial struggles of airlines, poor cash flow.**



Analysis-

Sufficient cash-flow is necessary in smooth flight-operations. This data convinces that airlines are struggling with that. Maintaining healthy cash flow can be a challenging task for airlines in India due to various reasons. Here are some of the factors that contribute to the difficulty of airlines in maintaining cash flow in India:

Airlines in India face high operating costs due to several factors such as high taxes on aviation fuel, high airport charges, and maintenance costs. These costs can put a strain on the airline's finances and make it difficult to maintain healthy cash flow.

Intense competition: competition can lead to price wars, which can impact the airline's revenues and profitability.

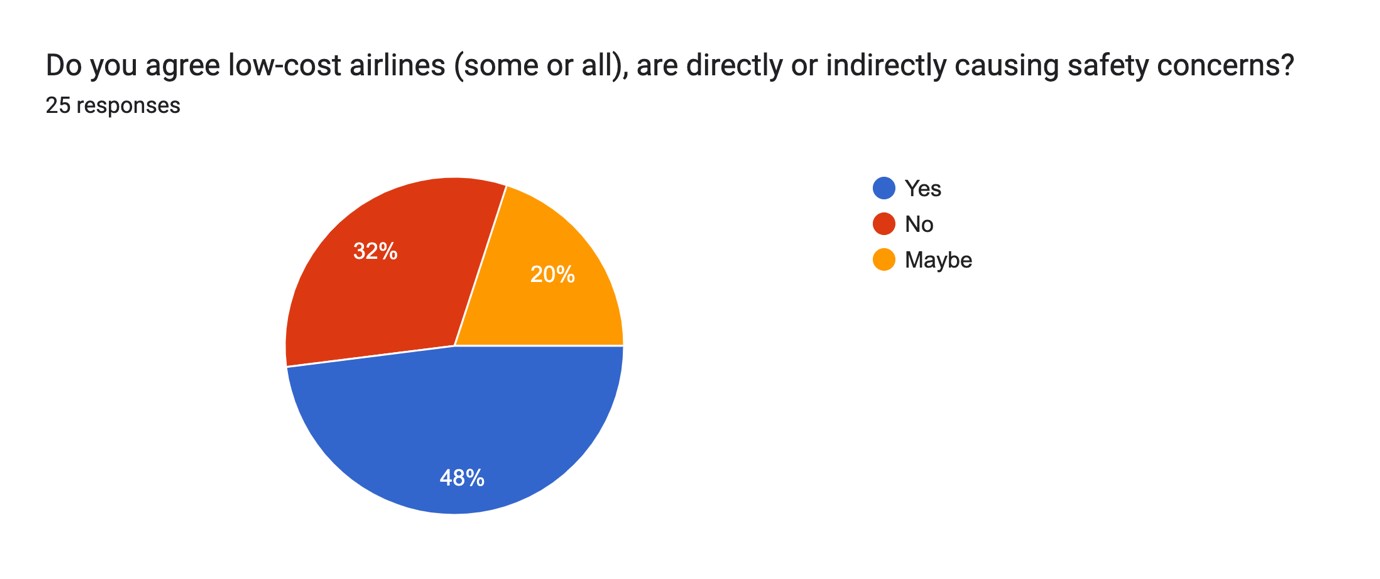
The regulatory environment in India can also impact the cash flow of airlines. For instance, changes in regulations such as the imposition of new taxes or restrictions on routes can impact the airline's operations and revenues.

The infrastructure for air travel in India is still developing, with many airports facing capacity constraints and delays. This can impact the airline's operations and lead to a loss of revenue.

### Conclusion

Maintaining healthy cash flow can be a challenge for airlines in India due to various factors such as high operating costs, intense competition, economic conditions, regulatory issues, and infrastructure challenges. However, with careful planning and effective cost management strategies, airlines can overcome these challenges and maintain healthy cash flow.

**Safety and LCCs**



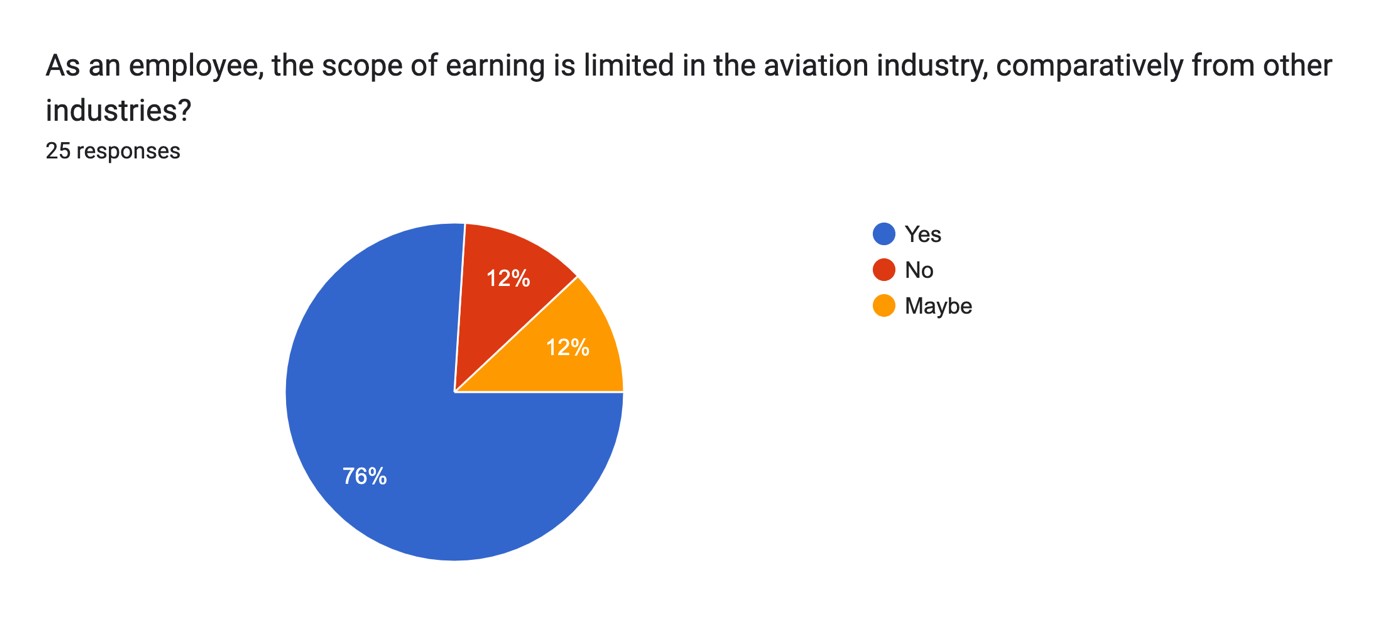
Analysis-

This above data supports the hypothesis H4. 48% of respondents believes that some or all LCCs are causing safety concerns. The stand operating procedure (SOP) laid by LCCs promotes profit maximisation, when meets poor company culture can cause hazards. One of the main concerns is that low-cost airlines may cut corners on maintenance and safety procedures to keep costs low. This can include delaying necessary repairs or maintenance work, using older aircraft, and reducing the number of crew members on flights. Such costcutting measures can compromise the safety of passengers and crew members and increase the risk of accidents and incidents.

Additionally, low-cost airlines may also face challenges in providing adequate training and support to their staff, particularly in relation to safety procedures and emergency response. This can be particularly concerning in emergency situations, where staff members need to be able to act quickly and effectively to ensure the safety of all passengers.

Despite these concerns, it is important to note that low-cost airlines in India are subject to the same safety regulations and standards as other airlines. The Directorate General of Civil Aviation (DGCA) is responsible for ensuring that all airlines operating in India comply with safety regulations and standards and carries out regular inspections and audits to monitor compliance.

**Earning opportunities in the aviation industry.**



Analysis-

Keeping the operating-cost down is the main priority of any airline. This means carving every area possible. 76% of respondents believes that earning opportunities are restricted in this industry.

Entry-level positions in the aviation industry often offer relatively low salaries. For example, many airlines in India offer lower salaries to entry-level cabin crew members, ground staff, and junior-level engineers. This can make it challenging for individuals to sustain themselves in the industry, particularly in expensive metropolitan areas.

With a large pool of qualified candidates vying for a limited number of job opportunities. This can make it difficult for individuals to secure higher-paying positions, as companies may be able to find equally qualified candidates willing to work for lower salaries.

Additionally, the COVID-19 pandemic has had a significant impact on the aviation industry in India, with many airlines and other aviation companies facing financial challenges and cutbacks. This has led to salary reductions, layoffs, and other cost-cutting measures that have further limited earning opportunities in the industry.

## Open ended questions

What are your thoughts on low-cost Airlines?

“Low cost Airlines often get a lot of flak for the quality of service they provide and their inconsistency but they are an immensely essential part of any major economy (Especially in a country like India, which is currently the fastest growing economy in the world). Thanks to low cost carriers, travelling by air which is still considered to be a luxury is becoming accessible to the middle class section of the society.”

“Low-cost airlines are good for the middle-class population of the country, they are making it easier for the people to access air travel, there are certainly some cases where these airlines have failed to comply with the safety norms, as cost cutting is the significant activity for any low-cost airline, there is a chance that safety can be compromised by cutting cost at essential areas such as maintenance. The competition makes it difficult for the full service airlines to sustain.”

In your opinion, what makes it so difficult to sustain in aviation industry?

“The Volatility, especially from a financial perspective because Airlines are one of the most capital intensive industries in the world.”

“High amounts of capital, thin margins, high sensitivity towards any fluctuation, stringent regulatory compliance, competition from low-cost carriers.”

“Tough competition”

## Testing the hypothesis

H0: Low-cost airlines increase the competition.

H1: Low-cost airlines does not increase the competition.

H2: Low-cost airlines are highly influencing the consumer preference towards lower fares.

H3: Low-cost airlines does not influence the consumer preference towards lower fares.

H4: Low-cost airlines are causing safety concerns.

H5: Low-cost airlines are not causing any safety concerns.

As per the data and information collected from various sources, H0, H2 and H4 can be accepted. While there are other factors as well influencing the above hypothesis. Subject is not the sole reason for the same. H1, H3, H5 can be rejected.

Low-cost airlines have significantly increased competition in the aviation industry. They have disrupted the traditional business model of full-service airlines, which relied on charging higher fares to provide a range of services, including meals, baggage, and seat selection. By offering a no-frills, low-cost model, low-cost carriers have attracted a growing segment of price-sensitive consumers who are willing to forgo these services in exchange for lower fares. This increased competition has led to a shift in market share, with low-cost carriers gaining a larger percentage of passengers. In response, full-service airlines have been forced to adapt by introducing their own low-cost models, such as "basic economy" fares, which offer a more limited range of services at a lower price. The increased competition has been beneficial for consumers, who now have more options and lower fares. However, it has also led to greater pressure on airlines to cut costs and increase efficiency, which can have implications for safety, service quality, and employment practices.

Overall, H0 is supported by the data obtained, the rise of low-cost airlines has significantly increased competition in the aviation industry, and their success has forced full-service airlines to adapt to changing customer preferences. While this has been beneficial for consumers, airlines must continue to balance cost-cutting measures with maintaining high standards of safety and service quality.

Low-cost airlines have been highly influential in shaping consumer preferences towards lower fares. By offering significantly lower ticket prices than traditional full-service airlines, low-cost carriers have captured a growing segment of the market made up of budgetconscious travellers.

The success of low-cost airlines has also changed the way that consumers view air travel. In the past, air travel was considered a luxury that was only accessible to those with high incomes. However, the rise of low-cost airlines has made air travel more affordable and accessible to a wider range of consumers. This has led to an increase in demand for air travel, as more people are now able to afford to fly.

The impact of low-cost airlines on consumer preferences is reflected in the growth of budget air travel globally. According to the International Air Transport Association (IATA), lowcost carriers accounted for 32% of global passenger traffic in 2019, up from just 16% in 2009.

Overall, low-cost airlines have been highly influential in shaping consumer preferences towards lower fares, making air travel more accessible and affordable to a wider range of consumers. As low-cost airlines continue to grow and expand their networks, it is likely that their impact on consumer preferences will continue to increase in the future.

Low-cost airlines are not inherently more unsafe than full-service airlines. All airlines must adhere to strict safety standards set by aviation regulatory authorities. However, the pressure to cut costs and operate with maximum efficiency can create safety concerns for low-cost airlines.

One of the primary ways that low-cost airlines cut costs is by operating with smaller profit margins and charging for ancillary services that are often included in the ticket price for fullservice airlines. While this business model can lead to lower fares, it can also lead to costcutting measures in other areas that can compromise safety.

For example, low-cost airlines may employ fewer staff or use lower-paid staff, which can result in reduced training and experience levels. They may also cut back on maintenance or use older aircraft, which can increase the risk of technical problems or equipment failure. In addition, low-cost airlines often operate in a highly competitive environment, which can lead to pressure to meet aggressive schedules and turn-around times. This can lead to rushed operations, which can increase the risk of errors and accidents.

Overall, while low-cost airlines are not inherently less safe than full-service airlines, their business model can create pressures that compromise safety. It is essential for aviation regulatory authorities to ensure that all airlines, including low-cost carriers, adhere to strict safety standards to ensure the safety of passengers and crew.

### SECONDARY DATA

Kingfisher Airlines - A Case Study

Kingfisher Airlines was founded in 2005 by Indian businessman Vijay Mallya. The airline quickly became popular for its luxury services and modern aircraft. However, despite its early success, Kingfisher Airlines failed and was eventually shut down in 2012. The failure of the airline can be attributed to a number of factors, including poor management, aggressive expansion, and an unfavourable economic climate. In this article, we will explore the key learnings from the failure of Kingfisher Airlines.

#### Poor Management

One of the key reasons for the failure of Kingfisher Airlines was poor management. Vijay Mallya, the founder of the airline, was known for his extravagant lifestyle and flamboyant personality. However, he lacked the necessary business acumen to run an airline. Mallya's management style was autocratic, and he often made unilateral decisions without consulting his management team. This led to a lack of strategic planning and poor decision-making, which ultimately contributed to the airline's failure.

#### Aggressive Expansion

Kingfisher Airlines grew rapidly in its early years, with Mallya's aggressive expansion strategy. The airline acquired several smaller airlines, including Air Deccan and Kingfisher Red, in an effort to increase its market share. However, this strategy proved to be unsustainable, as the airline was unable to generate enough revenue to cover its increasing expenses. The acquisition of Air Deccan, in particular, was a major setback for the airline, as it had a large fleet of older aircraft that required expensive maintenance.

#### High Operating Costs

Kingfisher Airlines had high operating costs, which were exacerbated by its aggressive expansion strategy. The airline's fleet of modern aircraft, luxury services, and premium lounges were expensive to maintain and operate. Additionally, the airline had a large workforce, which added to its expenses. Kingfisher Airlines also faced high fuel costs, which fluctuated with global oil prices.

#### Economic Climate

The global economic climate at the time of Kingfisher Airlines' failure was unfavourable. The airline industry was facing a period of slow growth, and many airlines were struggling to remain profitable. Additionally, the Indian economy was facing a slowdown, which reduced consumer spending and demand for air travel. The combination of these factors made it difficult for Kingfisher Airlines to generate enough revenue to cover its expenses.

#### Regulatory Issues

Kingfisher Airlines faced several regulatory issues that contributed to its failure. The airline was unable to obtain necessary licenses to operate in certain international markets, which limited its growth potential. Additionally, the Indian government imposed a ban on the airline's operations due to safety concerns, which further damaged its reputation and financial position.

#### Debt Burden

Kingfisher Airlines was burdened by a significant amount of debt, which was accumulated through its aggressive expansion strategy. The airline was unable to generate enough revenue to cover its debt payments, which put pressure on its finances. Additionally, the airline's debt load made it difficult to obtain additional financing, which further limited its growth potential.

#### Lack of Cash Reserves

Kingfisher Airlines did not have sufficient cash reserves to sustain its operations during difficult times. The airline's aggressive expansion strategy and high operating costs had depleted its cash reserves, leaving it vulnerable to economic downturns and other challenges. When the airline was unable to generate enough revenue to cover its expenses, it was forced to default on its payments and eventually shut down.

In conclusion, the failure of Kingfisher Airlines was due to a combination of factors, including poor management, aggressive expansion, high operating costs, an unfavourable economic climate, regulatory issues, debt burden, and lack of cash reserves. The failure of the airline serves as a cautionary tale for other airlines and businesses, highlighting the importance of strategic planning.

Impact of Kingfisher Airlines' Failure on Indian Aviation Industry

Introduction Kingfisher Airlines' failure had a significant impact on the Indian aviation industry. The airline, which was once a leading player in the Indian aviation market, collapsed due to a combination of financial mismanagement, regulatory challenges, and intense competition. In this section, we will examine the impact of Kingfisher Airlines' failure on the Indian aviation industry and its stakeholders.

Impact on Indian Aviation Industry:

1. Reduction in Capacity Kingfisher Airlines' collapse led to a significant reduction in capacity in the Indian aviation industry. The airline had a fleet of 64 aircraft, and its suspension of operations led to a reduction in the number of available seats for passengers. This reduction in capacity led to higher fares and reduced competition in the market.

1. Loss of Jobs Kingfisher Airlines' failure also led to the loss of thousands of jobs in the Indian aviation industry. The airline had over 5,000 employees, and its suspension of operations led to their unemployment. This had a ripple effect on the industry, as other airlines were also forced to downsize their operations due to the reduction in demand.

1. Financial Impact on Suppliers and Service Providers Kingfisher Airlines' failure also had a financial impact on suppliers and service providers in the Indian aviation industry. The airline owed millions of dollars to its suppliers, including airports, fuel providers, and maintenance companies. The non-payment of these debts had a significant impact on the financial health of these companies.

1. Impact on Investor Confidence Kingfisher Airlines' collapse also had a significant impact on investor confidence in the Indian aviation industry. The airline's financial mismanagement and regulatory challenges led to a loss of trust in the industry, and investors became wary of investing in Indian airlines. This led to a slowdown in the growth of the industry and made it more difficult for airlines to secure funding for their operations.

1. Impact on Consumers Kingfisher Airlines' failure also had an impact on consumers in the Indian aviation industry. The reduction in capacity and the loss of competition led to higher fares, which made air travel more expensive for consumers. The airline's suspension of operations also disrupted the travel plans of thousands of passengers, leading to inconvenience and frustration.

Kingfisher Airlines' failure highlighted several key issues in the Indian aviation industry, including financial mismanagement, regulatory challenges, and intense competition. The lessons learned from the airline's failure can be applied to other industries as well.

1. Importance of Financial Sustainability Kingfisher Airlines' collapse was primarily due to financial mismanagement, highlighting the importance of financial sustainability in the long-term success of a business. Companies need to ensure that they have a sustainable revenue stream and manageable debt levels to avoid a liquidity crisis.

1. Importance of Good Governance Kingfisher Airlines' failure was also due to poor governance practices, highlighting the importance of good governance in the success of a business. Companies need to ensure that they have a strong ethical framework and transparency in their operations to maintain the trust of stakeholders.

1. Importance of Regulatory Compliance Kingfisher Airlines' collapse was also impacted by regulatory challenges, highlighting the importance of regulatory compliance in the success of a business. Companies need to ensure that they comply with all relevant laws and regulations and maintain high levels of safety and quality standards to avoid reputational damage and financial losses.

#### Lessons Learned from the Failure of Kingfisher Airlines

Lesson 1: Expansion without a sustainable business model is a recipe for disaster One of the key reasons for Kingfisher Airlines' failure was its rapid expansion without a sustainable business model. The airline added new routes and increased its fleet size without adequately assessing the demand for its services. This led to overcapacity and increased operating costs, which put a strain on the airline's finances. As a result, the airline was unable to generate enough revenue to cover its costs, leading to its eventual collapse.

The lesson learned here is that expansion without a sustainable business model is a recipe for disaster. Companies need to ensure that they have a viable business model before embarking on an expansion plan. This means conducting thorough market research, assessing demand for their products or services, and ensuring that their costs are in line with their revenue streams.

Lesson 2: Failure to adapt to changing market conditions can be fatal Kingfisher Airlines also failed to adapt to changing market conditions, which contributed to its downfall. The airline faced intense competition from low-cost carriers such as IndiGo and SpiceJet, which offered lower fares and no-frills services. Instead of adjusting its business model to compete with these airlines, Kingfisher Airlines continued to focus on offering premium services to passengers.

The lesson learned here is that failure to adapt to changing market conditions can be fatal. Companies need to be aware of changing market trends and adjust their strategies accordingly. This means being flexible and agile in their approach, and being willing to pivot their business models if necessary.

Lesson 3: Regulatory compliance is crucial for business success Kingfisher Airlines faced significant regulatory challenges, which impacted its ability to operate effectively. The airline's license was suspended by the Directorate General of Civil Aviation (DGCA) in 2012 due to safety concerns, which led to a significant loss of revenue. The airline also faced challenges in securing loans from banks, which impacted its ability to fund its operations.

The lesson learned here is that regulatory compliance is crucial for business success. Companies need to ensure that they are complying with all relevant laws and regulations, and that they are maintaining high levels of safety and quality standards. Failure to do so can lead to reputational damage, legal challenges, and financial losses.

Lesson 4: Financial sustainability is key to long-term success Kingfisher Airlines' collapse was also impacted by financial factors such as rising fuel prices and the global financial crisis. The airline's operating costs increased significantly due to rising fuel prices, which put a strain on its finances. The global financial crisis also impacted the airline's ability to secure loans and attract investors, which led to a liquidity crisis.

The lesson learned here is that financial sustainability is key to long-term success. Companies need to ensure that they have a strong financial position, with manageable debt levels and sufficient cash reserves. This means being mindful of the risks associated with borrowing and ensuring that they have a sustainable revenue stream to cover their costs.

Lesson 5: Good governance is essential for business success Kingfisher Airlines' collapse was also impacted by poor governance practices. The airline's founder, Vijay Mallya, was accused of siphoning off funds from the company, and the airline was plagued by allegations of financial mismanagement and fraud.

Case study on Jet Airways:

Jet Airways was a prominent Indian airline that operated both domestic and international flights. It was founded in 1993 by Naresh Goyal and quickly grew to become one of India's largest airlines. However, the airline faced significant financial difficulties in the years leading up to its eventual shutdown in 2019.

Jet Airways had invested heavily in expanding its fleet and upgrading its services, which resulted in a large debt burden. The airline's high interest payments on this debt limited its ability to invest in other areas of the business. Additionally, the airline faced intense competition from low-cost carriers in India, which put pressure on fares and reduced profitability.

The airline's complex ownership structure also contributed to its financial struggles. Jet

Airways was owned by a consortium of investors, including founder Naresh Goyal, Etihad Airways, and other minority shareholders. This ownership structure made it difficult to make strategic decisions and resulted in disagreements among the shareholders.

In 2018, Jet Airways began experiencing significant financial difficulties and was forced to cancel flights, reduce its operations, and delay payments to suppliers and lenders. The airline attempted to secure additional funding from investors and banks, but was ultimately unable to do so. In April 2019, the airline announced that it was suspending all operations and that its lenders had taken control of the company.

Jet Airways' financial struggles had significant implications for the Indian aviation industry. The airline's shutdown led to a reduction in capacity and competition, which resulted in higher fares and reduced accessibility to air travel. Additionally, it had negative implications for the airline's employees, who lost their jobs, and for the suppliers and vendors who were owed money by the airline.

One of the key factors contributing to Jet Airways' financial difficulties was its high level of debt. The airline had invested heavily in expanding its fleet and upgrading its services, which resulted in a large debt burden. This made it difficult for the airline to manage its finances and to invest in other areas of the business. Additionally, the airline faced intense competition from low-cost carriers in India, which put pressure on fares and reduced profitability.

Another factor that contributed to Jet Airways' financial difficulties was its complex ownership structure. The airline was owned by a consortium of investors, including founder Naresh Goyal, Etihad Airways, and other minority shareholders. This ownership structure made it difficult to make strategic decisions and resulted in disagreements among the shareholders.

In 2018, Jet Airways began experiencing significant financial difficulties and was forced to cancel flights, reduce its operations, and delay payments to suppliers and lenders. The airline attempted to secure additional funding from investors and banks, but was ultimately unable to do so. In April 2019, the airline announced that it was suspending all operations and that its lenders had taken control of the company.

The closure of Jet Airways had significant implications for the Indian aviation industry. It led to a reduction in capacity and competition, which resulted in higher fares and reduced accessibility to air travel. Additionally, it had negative implications for the airline's employees, who lost their jobs, and for the suppliers and vendors who were owed money by the airline.

In conclusion, the case of Jet Airways highlights the challenges that full-service airlines face in the highly competitive Indian aviation market. Its high level of debt, complex ownership structure, and intense competition from **low-cost carriers contributed to its eventual shutdown**. The implications of Jet Airways' closure are still being felt in the Indian aviation industry and serve as a cautionary tale for other airlines facing similar challenges.

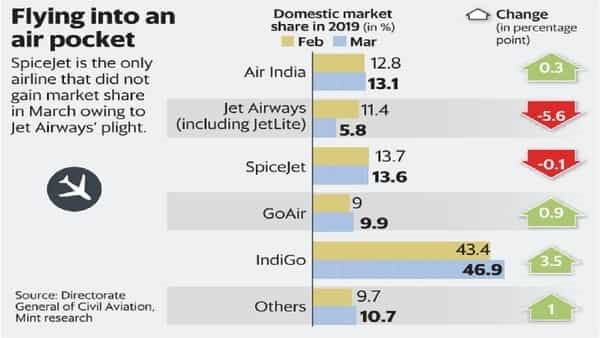
**Impact on Indian Aviation Industry:**

With the suspension of Jet Airways' operations, the Indian aviation industry lost a major player in the market. The airline had a significant share of both domestic and international air traffic in India, and its shutdown led to a reduction in the overall number of flights and seats available to passengers. This reduction in capacity had a ripple effect throughout the industry, leading to higher fares and reduced accessibility to air travel.

The shutdown of Jet Airways also had negative implications for the airline's employees. The airline had a large workforce, and many of its employees lost their jobs when the airline suspended operations. This led to a significant number of job losses and economic hardship for those affected.

The suppliers and vendors of Jet Airways were also adversely affected by the airline's failure. The airline was unable to pay its bills and owed significant amounts of money to its suppliers and vendors. The impact of Jet Airways' failure was felt throughout the supply chain, with many suppliers and vendors facing financial difficulties as a result.

Overall, the failure of Jet Airways had a significant impact on the Indian aviation industry. It led to a reduction in capacity and competition, higher fares, and reduced accessibility to air travel. Additionally, the airline's shutdown led to significant job losses and economic hardship for those affected. The case of Jet Airways serves as a cautionary tale for other airlines in the highly competitive Indian aviation market, highlighting the importance of financial stability and strategic planning in this industry.



**LESSONS TO BE LEARNED:**

Several important lessons for the aviation industry. These include:

1. The importance of financial stability: Jet Airways' high level of debt and complex ownership structure contributed to its financial difficulties. Airlines must have a strong financial foundation to weather industry turbulence, and they must be able to balance investment in growth with maintaining financial stability.

1. The impact of intense competition: The intense competition in the Indian aviation market, particularly from low-cost carriers, put pressure on fares and reduced profitability for Jet Airways. Airlines must have a clear strategy to compete effectively in a highly competitive industry.

1. The significance of workforce management: The shutdown of Jet Airways resulted in significant job losses for its employees. Airlines must have a clear plan for workforce management and must prioritize the well-being of their employees.

1. The importance of effective communication: Jet Airways faced criticism for its lack of transparency and ineffective communication with stakeholders during its financial struggles. Airlines must communicate effectively with all stakeholders, including customers, employees, and investors, to build trust and maintain support.

1. The value of strong partnerships: Jet Airways had a complex ownership structure that made it difficult to make strategic decisions. Airlines must have strong partnerships and clear decision-making structures to operate effectively in the highly competitive aviation industry.

**5. CONCLUSION**

In conclusion, the rise of low-cost carriers in the Indian aviation industry has had a significant impact on the industry, with implications for airlines, consumers, and the economy. Low-cost carriers have disrupted the industry by providing affordable fares and expanding air travel to a broader segment of the population. However, their success has also led to increased competition, which has forced legacy carriers to adopt similar strategies.

While the growth potential of the industry remains high, airlines need to be aware of the evolving regulatory landscape and changing customer preferences to stay competitive. Understanding the implications of low-cost carriers on the Indian aviation industry is crucial for airlines, policymakers, and industry stakeholders to make informed decisions and plan for the future.

## Future relevance of this study

he study of the implications of low-cost carriers on the Indian aviation industry is likely to remain relevant in the future for several reasons:

1. Growth potential: India's aviation industry is expected to continue growing in the future, with an increasing number of people using air travel for both business and leisure purposes. As a result, the impact of low-cost carriers on the industry is likely to continue to be significant.

1. Competitive landscape: The Indian aviation industry is highly competitive, with multiple players vying for market share. Low-cost carriers have disrupted the industry by offering affordable fares, which has led to a shift in customer preferences. Understanding the implications of this shift on the industry is crucial for airlines to stay competitive.

1. Emerging markets: Emerging markets such as India are crucial to the global aviation industry's growth. The success of low-cost carriers in India can provide valuable insights into the potential of low-cost carriers in other emerging markets.

1. Regulatory changes: The Indian government has been taking steps to liberalize the aviation industry, which has led to increased competition and the entry of new players. As the industry continues to evolve, it is essential to understand how low-cost carriers can impact the industry's regulatory landscape.

Overall, the study of the implications of low-cost carriers on the Indian aviation industry is likely to remain relevant in the future, as the industry continues to grow and evolve.

**Suggestions:**

* Better price caps can be implied by the regulatory authority, to control the competition and bring in higher margins for safer operations.

* Strict audits shall be conducted in companies with poor work culture and SOPs.

* DGCA must issue stringent rules prescribing the standards for the operating procedures.

* Exemptions and relaxations can be providing in the taxation, allowing airlines to have higher cash flows, leading to better compliance.

* The regulator shall always have an eye on the airlines, specially the LCCs, to pin down any apparent flaw in the system.

* It is crucial for the airlines to optimize their cost structure; efficiencies will prevent cost-cutting in necessaryareas.

* Airlines are required to keep on training its personnel with the necessary skills.

* Appropriate division of responsibilities shall be prescribed, in order to recognise the authority.

* Classification of wok is extremely important, dividing the departments along with the necessary authority to prevent overlapping.

**References**

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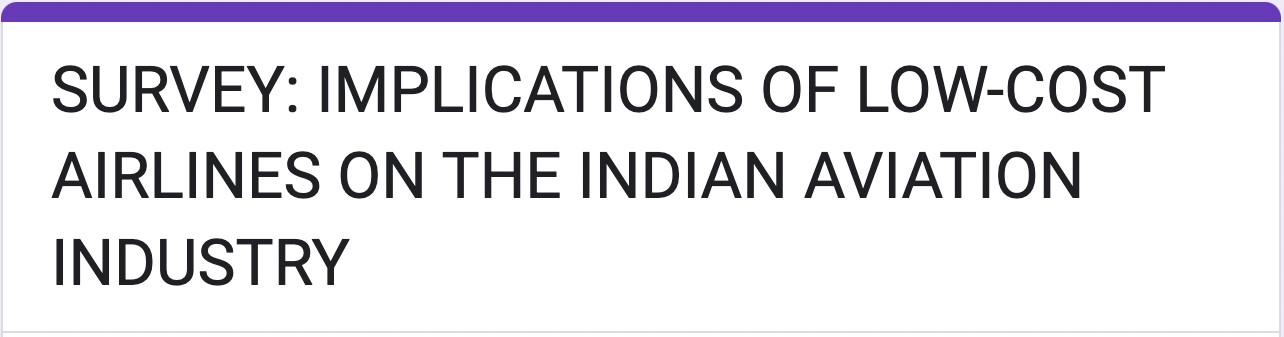
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## Appendices: Questionnaire



1. Age

* >20
* 20-25
* 25-30
* 30-35
* 35-40
* 40+

2. Your most flown Airline?

* IndiGO
* SpiceJet
* AirInida
* Vistara
* Other:

3. How often do you make an in-flight purchase?

* Always
* Mostly
* Sometimes
* Never

4. On a scale of 0 to 10 (10 being the highest), how satisfied you are with your flying experience?

Poor

* 1
* 2
* 3
* 4
* 5
* 6
* 7
* 8
* 9
* 10

Amazing

5. On a scale of 0 to 10 (10 being the highest), how much does the price affect your decision while buying air tickets?

* 1
* 2
* 3
* 4
* 5
* 6
* 7
* 8
* 9
* 10

6. Average expenditure (in Rs.) on airline tickets (for 1 person, 1 side):

* 0-2500
* 2500-5000
* 5000-7500
* 7500-10000
* 10000-15000
* 15000+

7. Have you ever flown in business class?

* Yes
* No

8. What is your most common in-flight/additional purchase?

* Food and Beverages
* Entertainment
* Extra leg-room
* Extra luggage
* Other:

9. If price is not a factor, which airline would you choose to fly with?

* IndiGO
* Vistara

10. How much on average, do you spend (Rs) on in-flight/additional services?

* 0-500
* 500-1000
* 1000 Above

11. Which of the following airlines you have flown with?

* AirIndia
* IndiGo
* Go First
* SpiceJet
* Akasa Air
* Vistara
* Air Asia

12. How often do you fly every year?

* 0-3 times
* 3-6 times
* 6-9 times
* Above 10 times



1. Name:

kindly leave blank if you wish your response to be confidential

### Your answer

2. Age:

* >20
* 20-25
* 25-30
* 30-35
* 35-40
* <40

3. Please select the most relevant option:

* I am a professional working in the field of aviation.
* I am an aviation enthusiast.

4. Do you think it is difficult to find a job in Aviation?

* Yes
* No
* Maybe

5. Do you agree that low-cost airlines are causing sustainability issues?

* I strongly agree
* I agree
* I do not agree
* I strongly disagree

6. Does airlines struggles to maintain healthy cash flow?

* Yes
* No
* Maybe

7. Do you agree low-cost airlines (some or all), are directly or indirectly causing safety concerns?

* Yes
* No
* Maybe

8. As an employee, the scope of earning is limited in the aviation industry, comparatively from other industries?

* Yes
* No
* Maybe

9. (Optional): What are your thoughts on low-cost Airlines?

• Your answer

10. (Optional): In your opinion, what makes it so difficult to sustain in aviation industry?

### • Your answer