



HOW IS INDIGO SURVIVING WELL IN THE INDIAN AIRSPACE?

Reyansh Mittal

Grade 9 Student
National Public School, HSR
Bengaluru, India

Abstract: IndiGo's remarkable success can be attributed to the strategies implemented. They had a deep understanding of business and the Indian market. They focused hugely into cost cutting, reducing costs in even the smallest areas. Innovative strategies like hub and spoke model, discounts, sales and lease-back, generated profits even before the planes took off. Their preference for fuel-efficient aircraft, tight control over costs, and avoidance of unnecessary luxuries like in-flight entertainment or business class seating allowed them to keep ticket prices low and planes full. Meanwhile other airlines misunderstood the market and easily drove into debt and loss. Even though IndiGo isn't on the list of the best airlines of the world, it is on the path of earning such a title. Now let's dive down deeper to see the operations of IndiGo that make it successful.

INTRODUCTION

IndiGo is the most trusted and chosen airline in the Indian airspace. While many airlines couldn't profit and went bankrupt, IndiGo's profits kept rising. They understood the Indian market in a way no other airlines could. Using the best strategies to save money and having a record of safe flights helped IndiGo prosper in the Indian markets. In the times of recession, IndiGo managed to churn out profits. Now let's take a look at how IndiGo solved this great puzzle and made its presence felt in India's airspace first by looking at its history.

START OF INDIGO

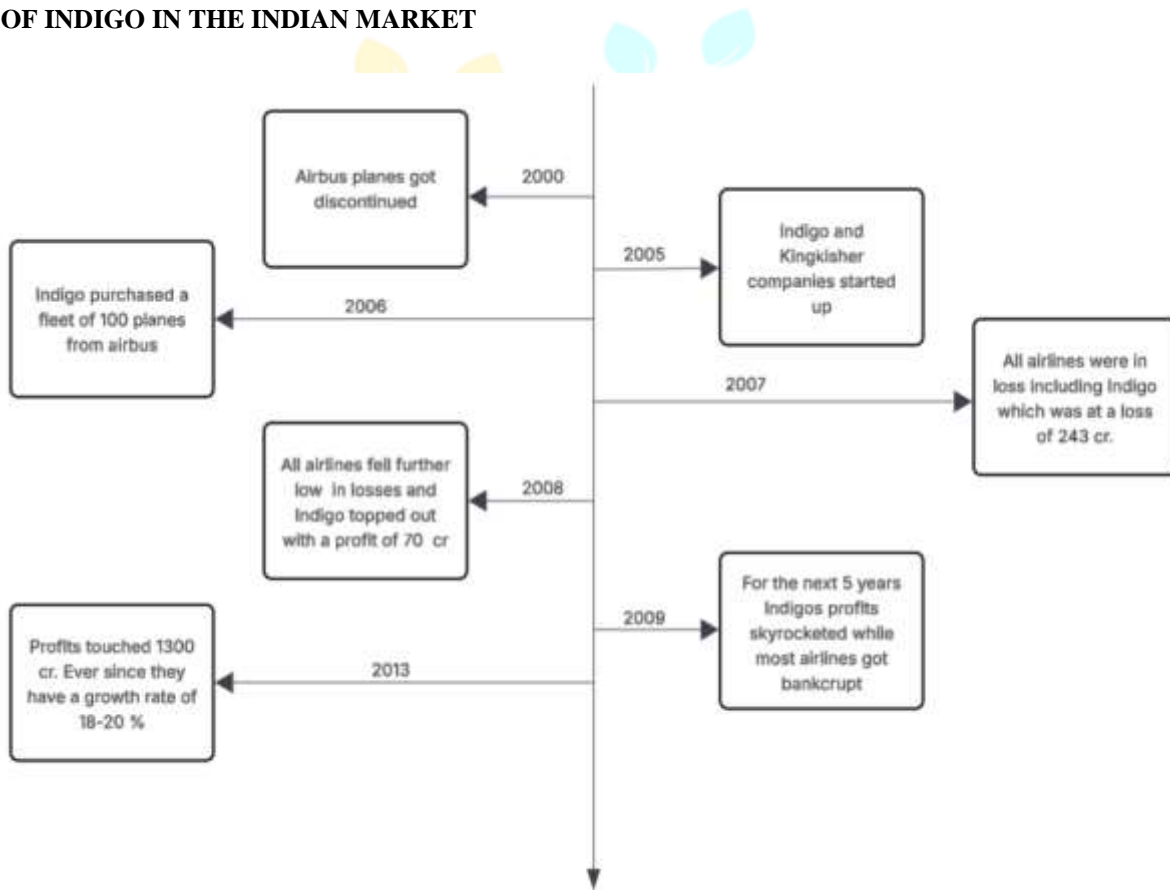
IndiGo was founded and opened by Rahul Bhatia (InterGlobe Enterprises) and Rakesh Gangwal in 2006. This was 1 year after Kingfisher had opened up. IndiGo was officially known as InterGlobe Aviation Limited. IndiGo launched its first flight on August 4, 2006, from New Delhi to Imphal via Guwahati. Starting with a single Airbus A320 aircraft, the airline quickly expanded its fleet and routes in the next 4 years. In less than a decade, IndiGo became the largest airline in India by profit and this title is retained till now. It went public in 2015 and was also listed in the Bombay Stock Exchange and the National Stock Exchange of India. IndiGo has a large fleet of Airbus A320, A321neo, and ATR aircraft (Mostly A320).

Initially, IndiGo had only planned to conquer the domestic market, but with time, they expanded their visions to international destinations too. Their destinations in India are ranked in tier 1 and tier 2. This helps IndiGo to seize the market whenever there is an emerging demand in any tier 2 city. IndiGo's international destinations are only 6 namely: UAE, Qatar, Oman, Saudi Arabia, Kuwait and Bahrain. IndiGo has a fleet of 480 planes right now and has ordered for 1000 more. However, there is one point of concern for IndiGo. As the oil used by the IndiGo aircrafts does not come from India itself the prices are very unstable and volatile. Even a 5% increase in the cost of a barrel of oil can put IndiGo in a loss of millions of rupees. Additionally, the decrease in dollar to rupees' conversion rates can lead to even more losses for IndiGo. Yet IndiGo is still at the top of the Indian market doing brilliantly well. Now let's look at its timeline in the Indian market.



(Number of people IndiGo has helped travel in the years 2014 - 2017)

TIMLINE OF INDIGO IN THE INDIAN MARKET



STRATEGIES IMPLEMENTED

Main strategy - The way they handled the market at first

When IndiGo had started, the main existing airlines were Jet airways, Deccan air and Air India. These airlines were dominating the Indian airways but were all facing losses. They weren't bankrupt but they were at a loss. All of these airlines used the planes of Boeing and none of them used the planes of Airbus due to their safety issues. Since then, Airbus had been making significant improvements in their planes and they wanted to enter the market with their new modified and safe planes. All the airlines were of the opinion that if they purchased the planes from Airbus, nobody would use those airlines due to safety issues. But IndiGo considered this as a big opportunity. Firstly, they were the ones to help Airbus enter the market and secondly they ordered a huge bulk of planes from IndiGo: - around 100 planes. The deal was closed at a price of 48000 crs. Today each Airbus plane costs 800 cr and taking 100 planes would cost 80000 cr, IndiGo got a discount of around 32000 cr. This is a huge amount. Also Airbus planes consume 8-10% less fuel than the Boeing planes. Now they implemented one of their greatest strategies. They introduced the sales and lease back model where they sold their aircrafts at a rate of 700 cr to other companies and rented the aircrafts back. The rent of the aircrafts was such that they covered this loss from their gains from the flight due to the other strategies. Now you can see that first IndiGo made a profit of 32000 cr then bought the planes for 48000 cr and then later, sold them for around 70000 cr. They now made a total profit of 22000 cr. Imagine!! You may have a question: why didn't the companies directly buy planes from Airbus with discounts. So, first these companies needed only a few planes

and the discounts of the Airbus only came with bulk orders. Imagine if Airbus is giving a discount of 50 cr on each aircraft, IndiGo is giving a discount of 100 cr. So the companies chose IndiGo's offer. This was their biggest and most important strategy.

All companies were at a loss in the start of IndiGo's run including IndiGo. After a year of service IndiGo was at a profit of 82 cr. There was a recession in the market. A barrel of oil costing 76\$ started costing 132\$. But still IndiGo made a profit. IndiGo with its strategies was able to overcome this change in price. When the competitors were falling, IndiGo purchased all their pilots so that they didn't have to use money to train other pilots. This foresight moves also helped them save money. Since then IndiGo's profits were at a stable rise while other airways went bankrupt or incurred heavy losses. In 2011 IndiGo's profits topped 700 cr. Go air, jet airs, kingfisher, etc went bankrupt. In the next consecutive years, they continued to make profits. In 2013 they had a profit of 1300 cr. Every year their growth is 18-20%. They are projecting 16-17% growth in the next 2 years. Their flight fleet information is: -

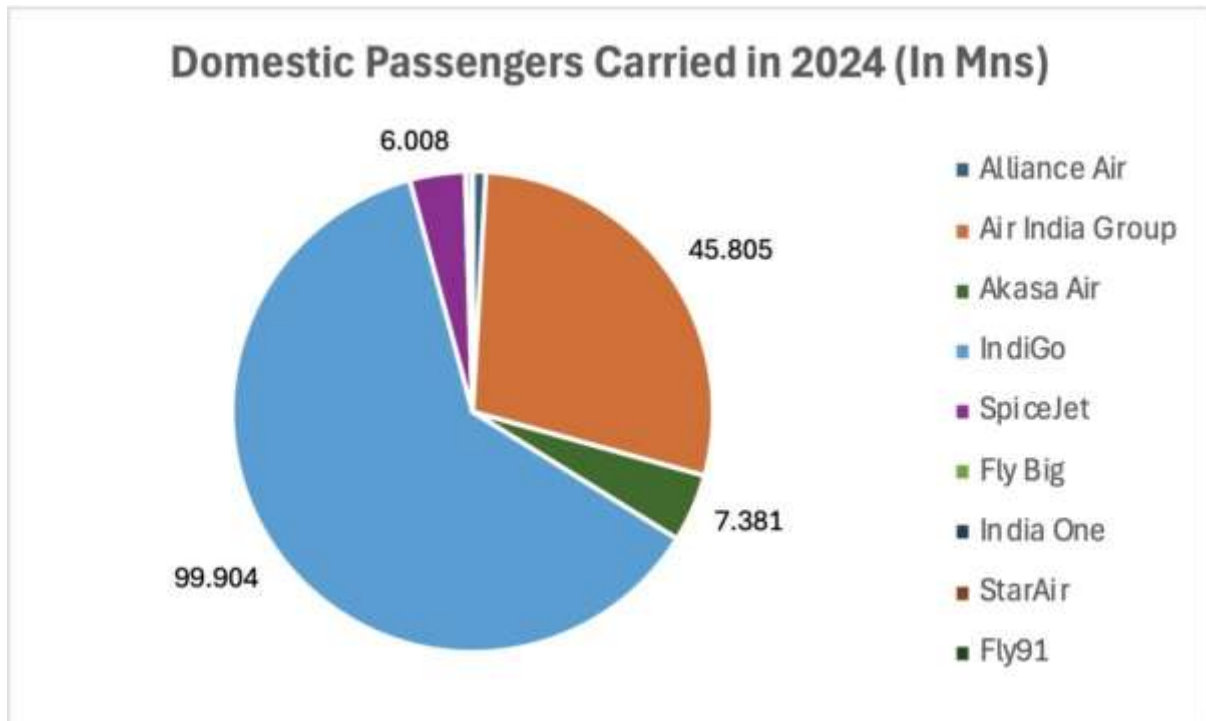
Airbus A320-200: 26 aircraft (being phased out)

Airbus A320neo: 168 aircraft

Airbus A321neo: 104 aircraft

ATR 72-600: 48 aircraft

Airbus A321-200/P2F (freighters): 3 aircraft



Minor Strategies

IndiGo, unlike other airlines, didn't keep bottled water, meals or hot food. To store these kinds of things, they needed heavy equipment, heaters, etc. Adding extra weight would mean additional fuel.

IndiGo's flight hours for a single flight in a day were more than the other airlines which helped IndiGo buy less planes.

As you know an airline needs to pay airports for parking their planes and IndiGo's smart negotiations result in the steep decline to operational costs.

Other strategies

1. IndiGo since the start has been very conservative of taking any loans and debt seeing the other airlines fail and go bankrupt.
2. IndiGo also buys low maintenance cost carriers.
3. IndiGo prioritized domestic travel over international exposure.
4. IndiGo did not have to carry legacy issues like overstaffing, pensions, or older aircraft.
5. Fixed employees and professional management

Other small incomes like extra baggage fees, seat selection, cargo, inflight sales

Reduced cancellation, on time flights, etc also played a big role

The Sword - Final and the most important Strategy

Even though Kingfisher had purchased Airbus planes and implemented similar strategies of IndiGo, Kingfisher went bankrupt. Why? Kingfisher didn't understand the Indian market properly and started ordering planes that had business class and entertainment systems. They also gave their customers free headsets. But the Indian market had 60 % of people that earned less than 2 lakhs yearly. They did not look for comfort but for cheap flight costs. So whenever Kingfisher raised the prices of the tickets, their planes would become empty. They then had to lower it and thus could never regain the money they had initially invested. Other than this, Indigo and Kingfisher had very different usage of planes strategies. Kingfisher used the point to point system. This is a system where planes are connected to all the destinations. For example, we have destinations A, B, C, D and E. In a point to point system all destinations were connected. E.g. A

is connected to B, C, D and E and vice versa. But IndiGo used the hub and spoke model. In this model they add a central point F and all planes land there and go through that point. In doing this the flights are always full and less planes are needed to connect the point. To connect each of these points in the point to point model 3 planes per point were required, as for the hub and spoke model, only 1 plane was needed per point. So, for IndiGo to add another point they needed only 1 plane, but for Kingfisher they needed 3 other planes. IndiGo thus saved a lot of money following this strategy.



(IndiGo was growing even during the pandemic)

INDIGO VS INTERNATIONAL COMPETITORS

Factors	IndiGo (India)	Southwest (USA)	Ryanair (Europe)	Emirates (UAE)	Singapore Airlines
Business model	Low cost carrier	Low cost carrier	Ultra - Low cost carrier	Full service and luxury	Premium full service
Profitability	Most profitable in India	Consistently profitable	Highly profitable	Profits vary with oil and demand	Often ranked top globally
Fleet size	~480	~800+	~600+	~270	~160
Fleet type	Narrow body (A320 neo, A321)	Narrow body (737)	Narrow body (737)	Wide body (A380, 777)	Mix of narrow and wide plans
Route network	Domestic + short international	Domestic USA + some Mexico/Central America	Mainly Europe	Long-haul global network	Global long-haul and regional
Cost efficiency	Extremely lean operations	Highly optimized operations	Minimal services to reduce cost	Premium services raise cost	balanced between cost and service
Target market	Middle-class Indian flyers	US budget travelers	European budget travelers	High-end and transit passengers	Premium & business flyer
Ownership	Publicly traded	Public	Public	Government-owned	Majority government-owned

In the top best airlines IndiGo ranks 39th while airlines like Qatar, Singapore airlines, Emirates, etc are the best. IndiGo is still a grain in front of these huge airlines, but IndiGo started the latest out of all airlines. Not only that, IndiGo also first seized the Indian market and has minimal international exposure. IndiGo, now slowly moving towards international trips, will climb the leaderboard of the best and most profitable airlines. Other than that, achievements like being profitable in a tough market, strategies used, fuel efficiency, etc. shows the domination of IndiGo once it enters the International market.

IndiGo–Qatar Airways Codeshare Alliance

Qatar Airways and IndiGo have an alliance which benefits IndiGo in many ways. This alliance is based on codeshare. A codeshare allows one airline to sell seats on a flight operated by another airline using its own flight number. For example, passengers traveling from an international destination to Delhi can now get a connecting flight to tier 2 cities as well in 1 ticket. For IndiGo, this helps them

as they get exposed to the international market. Right now IndiGo doesn't have planes with wide bodies and long haul planes either. Due to this they can't capture more international destinations. But with this alliance IndiGo has indirectly captured 150 international destinations. In addition to this, associating with a 5-star airline like Qatar Airways boosts IndiGo's global reputation

CONCLUSION

IndiGo's remarkable success can be attributed to the strategies implemented. They had a deep understanding of business and the Indian market. They focused hugely into cost cutting, reducing costs in even the smallest areas. Innovative strategies like hub and spoke model, discounts, sales and lease-back, generated profits even before the planes took off. Their preference for fuel-efficient aircraft, tight control over costs, and avoidance of unnecessary luxuries like in-flight entertainment or business class seating allowed them to keep ticket prices low and planes full. Meanwhile other airlines misunderstood the market and easily drove into debt and loss. IndiGo's choice of the hub and spoke model ensured the planes were used efficiently and reduced operational costs, while their careful financial management, avoidance of debt, and strong focus on domestic routes protected them from the economic challenges that sank many competitors. In a nutshell, IndiGo's efficient strategies, cost cutting methods, proper ground staff organisation, understanding and Indian market, etc, were vital to the success of IndiGo. Their story is a masterclass in creating a sustainable business model in a highly competitive and volatile industry like aviation.

ACKNOWLEDGMENT

I would like to express my sincere gratitude to my mentor Prabhat Tiwary Sir and my parents for supporting me in my journey to this paper publishing.

REFERENCES

youtube.com
wikipedia.org
research.skift.com
(Other websites)

