

○ CHAPTER– 03

INDIA'S NEWEST LOW-COST AIRLINE: AKASA AIR

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¹MANISH SHARMA

¹*Assistant Professor, Apeejay Styra University*

Akasa Air was given the Air Operator's Certificate (AOC) by the Directorate General of Civil Aviation on July 7, 2022. Akasa Air had generated interest among Indian consumers since its launch. The last two major ones that created similar interest were AirAsia India and Vistara. It was in the news due to various reasons, be it the low-cost fare of the airlines or due to the backing by the ace investor Rakesh Jhunjhunwala, who owns 40% of the company and was the co-founder of the newest airline. It was also famous due to its announcements related to the dress of the employees. Akasa Air Crew's Uniforms Are "Eco-Friendly, Fun" quoted by one of the trending news articles. Akasa Air swapped heels with sneakers and received praise on social media platforms for its 'comfortable and eco-friendly' clothing.

Akasa Air entered the industry at a time when it had already seen so many disasters in the recent past. Indian airlines industry in the last decade was not less than the Turbulence which you may face during the flight due to some thunderstorms or speedy winds. It had passed through the stress of continuous red marks on the balance sheets of major operators, job losses of the employees, strikes, sole national carrier getting privatized, increased cases of grounding of flights due to various technical issues, and most importantly the drastic impact of COVID-19 pandemic.

According to one of the reports of The International Air Transport Association (IATA) 2017, the air transport industry supported the US \$35 billion to the GDP of India which is approximately around 1.5 percent of the country's GDP. It also supports 6.2 million Jobs. The same report forecasted the transport industry under the "current trends" scenario to grow by 262% in the next 20 years. The same would result in an additional 370.3 million passenger journeys by 2037 supporting approximately US \$126.7 billion of GDP and almost 9.1 million jobs. If the demand is properly met.

The COVID-19 pandemic caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) first identified in Wuhan, China, in December 2019 affected almost every economy and business. The severe disruption accused by the COVID-19 pandemic drastically affected the airline industry. In a written reply to a question in the Rajya Sabha, Minister of State for Civil Aviation Mr. V K Singh wrote that the Indian airlines and airports incurred an estimated loss of Rs 19,564 crore and Rs 5,116 crore, respectively, in the year 2020-21.

What Akasa Air was offering?

There gave its customers things to talk about. Some of those features were just the same which other competitors were offering whereas other few seek the attention of their target customers. Akasa Air had positioned itself as a low-cost airline giving

competition to existing low-cost airlines in its first phase. The tariffs of Akasa Air on the Mumbai-Ahmedabad route could help you save ₹ 500 to ₹600 when compared to other low-cost airlines' fares on the same date.

One of the important differentiators was that Akasa Air's aircraft offered a USB port for every seat. This attracted the attention of those who were always running short of batteries in their electronic devices. For short domestic travel, this was not of much use but for the international one or long journey, it would make a difference.

Various Research unfolded the fact that Indian customers are fond of their food being served during the flight even if it is a flight of shorter durations. Keeping that in mind Akasa Air decided to have Café Akasa as its inflight catering service with a menu that included burgers, sandwiches, wraps or rolls, tarts, salads, gourmet appetizers, festive meals, Ready to eat meals, beverages, and desserts, all through pre-booking. Other Add-Ons included facilities for excess baggage, an option of selecting your seat, Priority Check-in & Bag, Board First facilities, Akasa Holidays, Hotels, Car Rentals, Baggage Delivery, Pre-flight Covid test, Akasa VIP services, all that you can avail through its website.

Akasa Air Crew dress that was made of 'recycled polyester fabric' also attracted the attention of the public. The crew members generally have to stand for longer durations on the flight, Akasa Air swapped heels with sneakers and received praise on social media platforms for its 'comfortable and eco-friendly' clothing, which is one step toward the concern for both the employees and the environment. All this curiosity among the Indian travelers created a massive surge in hits leading the website to be frozen on the day of booking.

On its first day of reservations being accepted online, within minutes of the booking engines firing up, the website froze. The website was load-tested before going live but the interest that the passengers had shown must have led to a massive surge in hits leading to the site not being available for a while. Booking resumed soon after with the inaugural flight being sold out.

The initial flights were from Mumbai, Ahmedabad, Bengaluru, and Kochi. In the inaugural phase of its network development, Akasa Air launched its operations by offering 28 weekly flights between Mumbai and Ahmedabad from the day it started its operations.

Following this, soon the airline started operating an additional 28 weekly flights between Bengaluru and Kochi. Akasa Air planned to adopt a phased approach to support its network expansion plans, progressively connecting more cities, by adding

more aircraft to its fleet in its first year. The plan of Akasa Air after the initial launch was to start the international service in the second half of the calendar year 2023. But for that, an airline should have at least 20 aircraft before it can start flying international, as per the Indian laws.

What was the competitive intensity of the Indian Airline industry?

Akasa Air was entering a market that was dominated by the budget airline IndiGo with more than fifty percent of the share of the domestic market. Alongside the entry of Akasa Air, the industry had witnessed the sudden privatization of the national carrier to Tata. SpiceJet's financial woes and IndiGo facing protest leaves from several of its employee classes were other issues that the Indian airline industry was facing.

Other disruptions were created by the technical issues which most of the Indian aircraft had faced in June and July 2022, at the time Akasa Air was starting its operations.

The issues were related to the grounding of flights due to bird hits, mid-air engine shutdowns, pressurization problems during the flight, cracked windshields, component failures, engine compressor surges, and blade failures, flight deck indicators, and system-related warnings. The regulator of India's aviation industry- the Directorate General of Civil Aviation (DGCA) initiated a two-month-long audit as homegrown airlines continue to report snags. Some of the events were so drastic that exposed the passengers of the concerned aircraft to major safety risks.

It raised concerns about the condition of aircraft being used by various carriers. One of the competitors was even experiencing a very turbulent period as the show-cause notice was issued by the regulator when its aircraft had eight mechanical faults in 18 days. In one of the incidents, this flight's strong turbulence caused injuries to a total of 15, including 12 passengers and three members of the cabin crew of the carrier. Non-maintenance of aircrafts due to the cost-cutting pressures on the existing carriers and long break due to pandemic could be the reasons for such incidents.

According to some experts, Akasa Air and Jet Airways at that time entered the industry to exploit the weaknesses of the existing players. However, the new entrants also needed to be watchful as infrastructure in terms of slots (a landing and a take-off sequence at airports) at the major metros like Delhi, Mumbai, Hyderabad, Bengaluru, and Chennai were being dominated by IndiGo and other legacy carriers. This may pose some challenges for the new players.

QUESTIONS

1. The product of IndiGo was for the first time challenged by the new entrant. Do you think IndiGo would invest in improving its product offerings?
2. Will the strategy of undercutting the airfares by Akasa Air trigger a price war in the Indian aviation industry? Why or why not?
3. Conduct a SWOT Analysis for Akasa Air and suggest strategies for how it can become the number one player in the industry?
4. What strategies other carriers shall adopt especially when most of them were having losses in the last few years?