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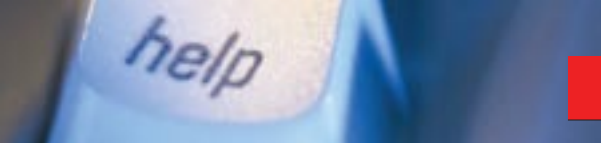
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From Distribution to Merchandising With ...

STEVE DUMAINE,
SENIOR PRINCIPAL IN AIRLINE STRATEGY
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Innovative Marketing and Merchandising

Many innovative carriers in the India marketplace are looking beyond traditional ticket sales to generate additional revenue.

In a low-cost, low-price market, low-fare carriers have adopted unique tactics to attract consumers, promote their brand, merchandise their product and earn ancillary revenue. In doing so, these carriers have shown a remarkable ability to adapt their business model to local conditions.

Distribution

While Internet penetration is low and personal computers are still considered a luxury only the rich can afford, the high use of cellular telephones coupled with the convenience and low cost of SMS text messages presented a unique opportunity. India-based Air Deccan and Kingfisher Airlines seized upon this opportunity, enabling customers to purchase tickets with their cell phones through the use of SMS text messaging to transfer credit card details, passenger name records and ticket numbers.

Another innovative strategy LCCs are taking advantage of entails partnering with Internet cafes and travel agencies to sell tickets. Air Deccan, for instance, has entered a relationship with Reliance Web World, India's largest chain of Internet cafes, which now sells 8 percent of Air Deccan's total ticket volume.

"These outlets not only provide easy access to consumers for Air Deccan, they also help in brand promotion as they prominently display the Air Deccan banner," said Gaurav Agarwal, marketing manager for Air Deccan.

Similarly, SpiceJet has formed successful partnerships with key travel agencies and branded them SpiceJet Shops.

"While these shops charge a small service fee from customers, they gain from SpiceJet's aggressive promotions and strong brand," said Sanjay Kumar, general manager of marketing and sales for SpiceJet.

Retailing

While retailing food and beverage forms the main source of ancillary revenue for airlines around the world, it is still in a nascent stage in India. However, LCCs in India realize its potential and are rushing to capitalize on it. Air Deccan recently signed

a partnership with Café Coffee Day, a chain operated by India's leading coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd., to be the single vendor for all food and drinks. Air Deccan's passengers can use their boarding passes as discount coupons at Café Coffee Day retail outlets, a win-win situation for both companies.

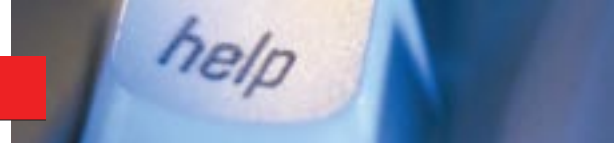
Air Deccan is also expanding its in-flight sales to include a variety of shopping options. Recently, it signed a deal with AVA Merchandising for India's first in-flight shopping scheme termed "Brand for Less," where customers can order brand-name products from a catalog at low prices.



Photo by Bhargav Prasanna/Aviation.net

Air Deccan has tapped into several technological advancements, giving its customers diversity in ticket purchases using several electronic methods as well as partnering with various vendors to boost in-flight service and offer in-flight shopping.





“As the aviation market matures in India and competition among LCCs intensifies, unique customer touch points will become a major competitive advantage.”



In India, Internet access is low and computers are still perceived as a luxury, which has several of the country's carriers focusing on alternative methods their customers can use to purchase tickets, such as SMS text messaging and Internet cafes.

Photos by Dinesh Photo Library



“AVA [Merchandising] is a strategic tie-up to leverage the large number of passengers Air Deccan carries daily on its 146 daily flights,” said Capt. G R Gopinath, the airline's chief executive officer and founding managing director.

Air Deccan provides incentives to its crew by paying its flight attendants a 10 percent commission on all sales. In-flight retailing currently accounts for 3 percent to 4 percent of Air Deccan's revenues, which the airline hopes to raise to 10 percent within a few years.

Advertising

LCCs in India hope to utilize their assets, including the body of aircraft, to profit from advertising. Kingfisher Airlines announced plans for selling ad space on the TV screen

inside its aircraft while Air Deccan sells advertising space on aircraft interiors and exteriors to brands such as Idea Cellular and Sun Microsystems.

As the aviation market matures in India and competition among LCCs intensifies, unique customer touch points will become a major competitive advantage. These carriers are likely to increase their dependence on alternate sources of revenue to keep their fares low as they fend off competition from the new entrants. Next on the horizon, look for LCCs to start offering discounted hotel and package deals to their customers. **F**

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