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Realities



***The factors influencing consumer buying
behaviour in Indian Civil Aviation Industry***

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Declaration

I hereby declare that I am the sole author of the thesis entitled “***The factors influencing consumer buying behaviour in Indian Civil Aviation Industry***”. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on, 2015

Somya Bhatnagar

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Abstract

In today's fiercely competitive and demanding world, the airlines are struggling to gain market share and sustain their profitability. They are trying to come up with new and unique ways to lure customers over to their side instead of their competitors and it has never been so complicated in this world of advanced information and communication technologies. In this paper I try to evaluate from an Indian passengers point of view that which are the things they consider before making a buying decision. The aim of this study is to which schemes the customers really prefer and what offers or services provided by the airlines attract customers the most. This study shows how much importance an Indian passenger gives to safety, punctuality, promotions, image etc. Also Included in the study are some recommendations based on marketing, communication and information technological advancements for the airlines to be successful in the highly competitive Indian market.

Keywords: Aviation, consumer behaviour, air safety, CRM, India.

Abstraktní

V dnešním vysoce konkurenčním a náročném světě, letecké společnosti se snaží získat podíl na trhu a udržet jejich ziskovost. Snaží se přijít s novými a originálními způsoby, jak přilákat zákazníky na svou stranu a to nikdy nebylo tak složité v tomto světě moderních informačních a komunikačních technologií. V tomto článku se pokusím zhodnotit z hlediska indického cestujícího to, co je potřeba zvážit před nákupním rozhodnutím. Cílem této studie je, které režimy zákazníci skutečně preferují a jaké nabídky nebo služby poskytované leteckými společnostmi lákají zákazníky nejvíce. Tato studie ukazuje, jak velký význam indický cestující dává bezpečnosti, dochvilnosti, propagaci, image atd. Také je ve studii zahrnutých několik doporučení na základě marketingových, komunikačních a informačně technologických pokroců pro letecké společnosti, jak být úspěšný na vysoce konkurenčním indickém trhu.

Klíčová slova: Letecká, chování spotřebitelů, bezpečnost leteckého provozu, CRM, Indie.

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Abbreviations

CRM	- Customer relationship management or relationship management
IATA	- International Air Transport Association
FAA	- Federal Aviation Authority
DGCA	- Directorate General of Civil Aviation, Government of India
AAI	- Airports authority of India
GDS	- General distribution system
IMF	- International monetary fund
NAA	- National Aviation Authority
IAAI	- International Association for the Advancement of Innovative Approaches to Global Challenges
GAGAN	- GPS aided geo augmented navigation
IGI	- Indira Gandhi International
AIL	- Air India Limited
NSDC	- National Skill Development Corporation
CAPA	- Corrective and preventive action
OECD	- Organisation for Economic Co-operation and Development
ISIS	- Islamic State of Iraq and Syria
ICAO	- International Civil Aviation Organization
CAA	- Civil Aviation Authority
INR	- Indian national Rupee
SPSS	- Software package for statistical analysis
JRD	- Jehangir Ratanji Dadabhoy Tata
IBM	- International Business Machine
WACC	- Weighted average cost of capital

Chapter 1: Introduction

*Man must rise above the Earth—to the top of the atmosphere and beyond
for only thus will he fully understand
the world in which he lives.*
— *Socrates*

1.1 Introduction to the aviation industry

Aviation industry has always been a pioneer in innovating marketing strategies. It always comes up with different strategies such as frequent flier programs, direct marketing etc keeping the customer at the heart of every strategy. This paper

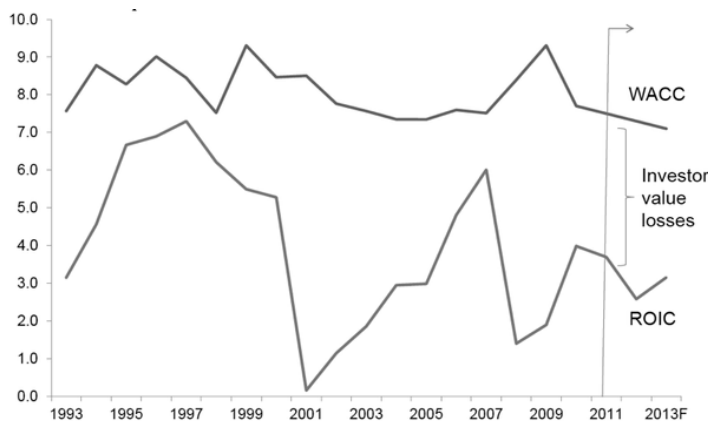


Figure 1 Return on invested capital in airlines and their WACC (Source: IATA financial forecast 2012)

studies in detail how the Indian airline companies should move forward with their customer relationship strategies and achieve long term profits and growth.

Since the introduction of commercial aviation in the 1920's when the total passenger count over the world was just around six thousand passengers per year, the aviation industry has been synonymous with customer service and Marketing innovations. Airline profits are going down each and every passing year. May it be because of security threats, rise

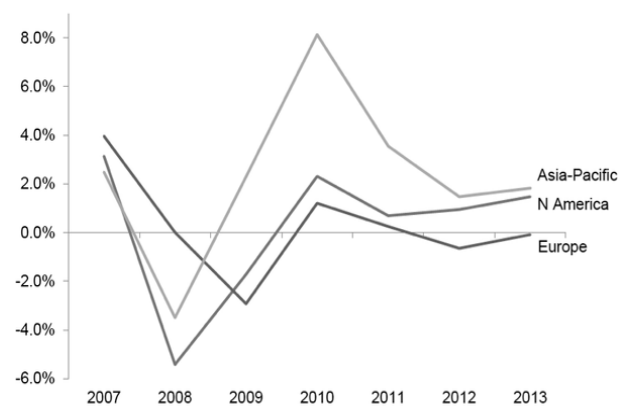
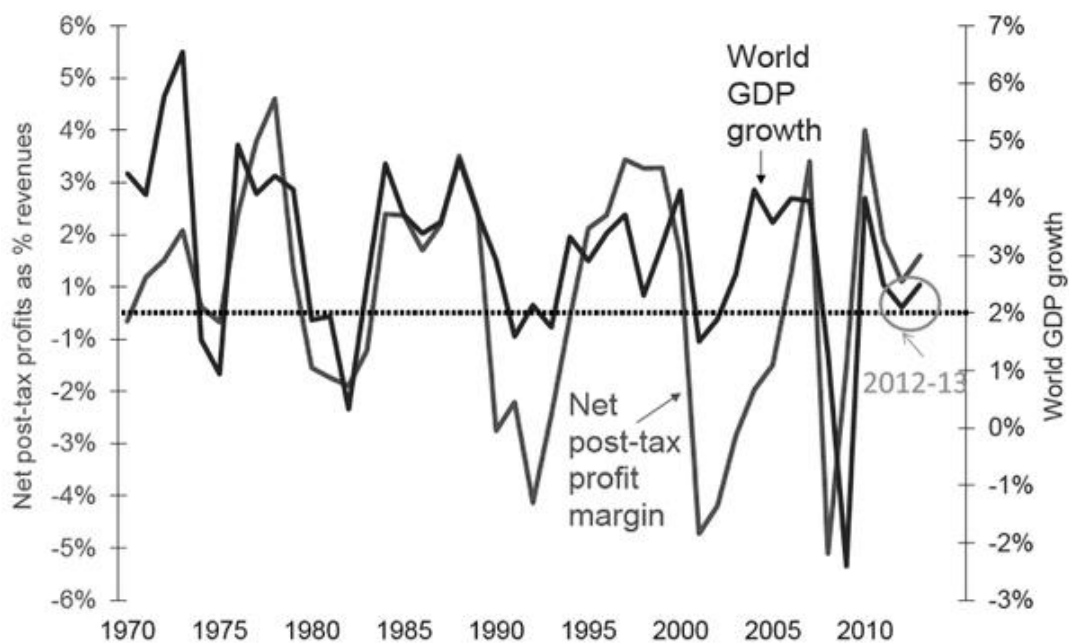


Figure 2 IATA airline net post-tax profit margins (Source: IATA financial forecast 2012)

of low cost carriers, higher operational costs or rising fuel costs? In 2012, the industry had a profit of 5.5 billion Euros, on revenues of 465 billion Euros, that is a 1.2% net profit margin (IATA report). Airlines' making any money at all was quite an achievement looking at the rising oil prices and low GDP growth rates. Profitability was a result of efficiency gains and improvements in the industry structure. The coming years show a real potential as there's significant growth in the emerging markets. Aviation industry acts as a catalyst for economic growth. After the recession the developed economies are in desperately demand of economic growth and aviation industry plays a critical role in facilitating the trade with the emerging and expanding economies.

Figure 3. World economic growth and airline profit margins: 1970 to 2010



(Source: IATA financial forecast 2012)

The airline industry is in a bit of turmoil right now. A decline in passenger traffic, decreased load factors, continued yield reductions and burgeoning fleet, insurance and labour costs have all added to the woes of airline owners.

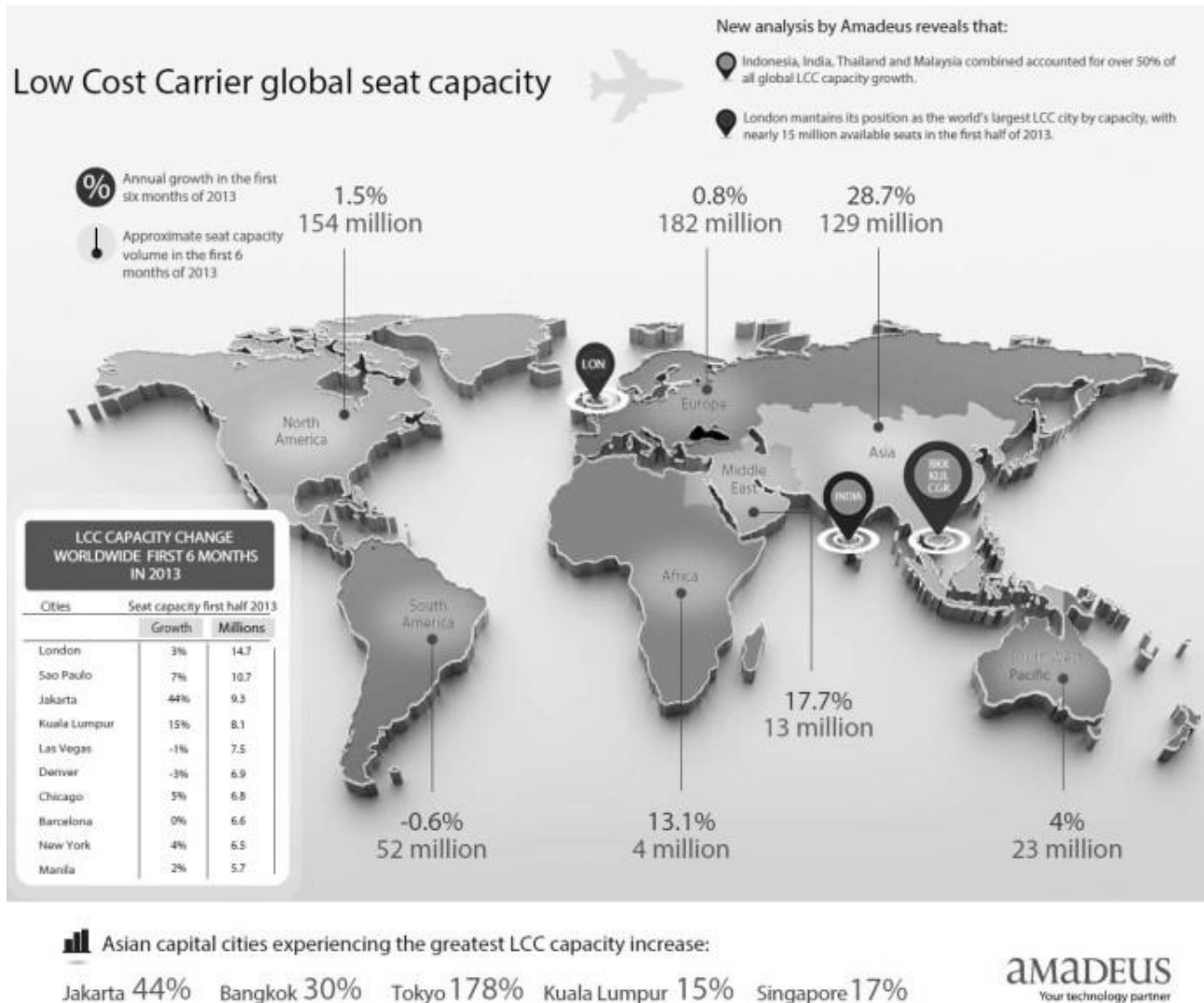


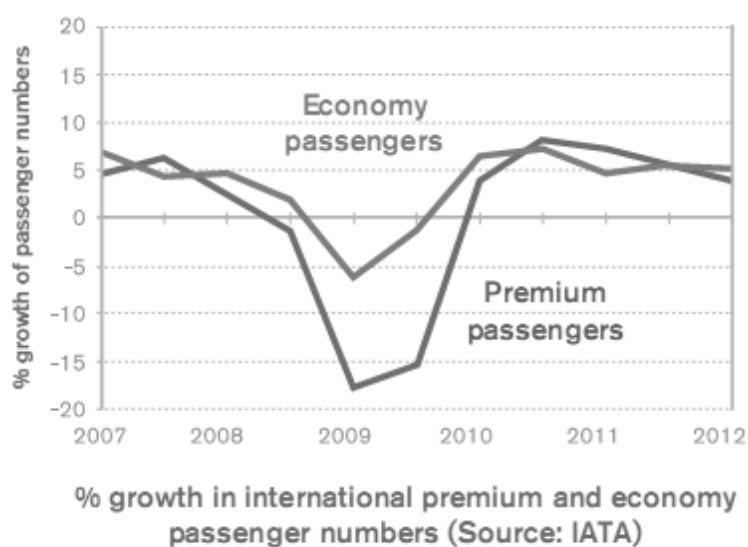
Figure 4. Low cost carrier global seat capacity(Source: Amadeus Co.)

The emergence of low cost carriers has worsened the situation for the traditional airlines. In Europe, low cost carriers grew their share by approximately 25%. Low cost carriers are attracting more and more customers with their price competitiveness and special offers. With that low of a price the consumer does not get a good service and does not even expect it. If the full service airlines have to justify their prices they need to up and refresh their services to match the demanded standards of paying customers. Operating efficiency has become a top priority in aviation business. Although it might work in a short time frame but in long term, maintaining customer relationship will be the key. Efficient customer relationship management will ensure the company keeps its competitive advantage over others.

Be it safety, environmental sustainability, ease of booking and other CRM activities are on the main agenda of IATA as the passenger numbers has already crossed around 3 billion a year and counting and the year 2014 marks the 100th year of commercial aviation. Aviation has become an important force for growth and development of any economy." In 2012, strong economic growth in emerging markets resulted in an expansion of passenger traffic and greater aviation connectivity. And despite record aircraft deliveries, asset utilization reached new highs, boosted by consolidation and other improvements to the industry's structure. Newly delivered aircraft, meanwhile, also brought significant efficiency improvements."(IATA annual report, 2012)

There are three major markets that together have a share of 83% of global airline

Figure 5. Passenger growth in 2012



(Source: IATA annual report)

able to breakeven because of the ongoing recession and economic problems. "Air travel market growth slowed in 2012 but outperformed a weak global economy."(IATA Annual report, 2012).

market namely: Asia-Pacific, North American and European. Asia-Pacific airline carriers boasted about the maximum profits in 2011 followed by North American and the Euro zone airline carriers were just

Passenger traffic (expressed in revenue passenger kilometres) grew 5.3% in 2012(IATA Annual report). In the last twenty years air travel growth has been averaging at around 1.8 times that of global GDP growth. In 2012, 972 new connections were launched; it means new airport pairs created. The real growth of air traffic was in the emerging markets of Asia, South America and some countries in Africa as well. Their GDP growth was much higher than their developed counterparts which in turn ensured that the growth in the aviation market would be high as well. Emerging economies contribute around 65% of growth in passenger numbers globally followed by 23% contribution of the Euro zone. US domestic aviation industry rose just 0.8% as opposed to China which grew 9.5%, Brazil which grew at 8.6% with the only exception being India which had a decline of 2.1% as the Indian companies were trying to adjust to higher costs which in case lost them a lot of passengers (DGCA and IATA annual reports).

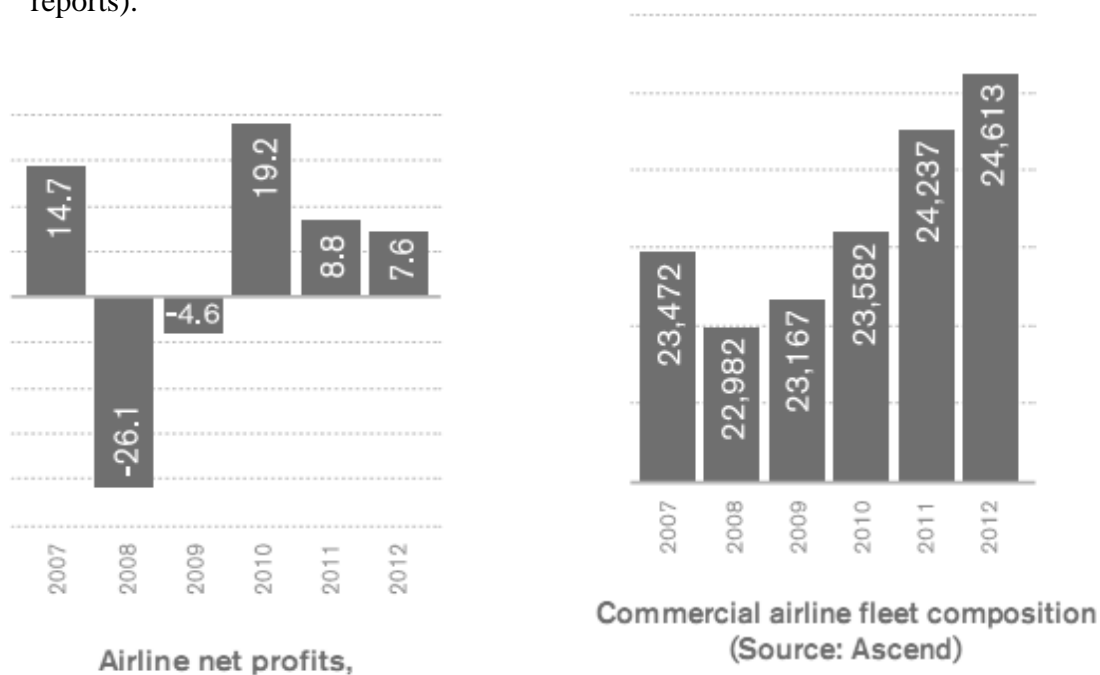


Figure 6.Airlines net profit Figure(IATA)

7.Airlines fleet composition(Ascend)

In the beginning the aviation industry was merely a game of numbers, matching the supply with the demand. Only the elite and the rich used to fly. After the World War II, there was a tremendous boom in the aviation industry. Leisure and

pleasure travellers increased tenfold. Even the people who previously couldn't afford flying were now able to buy tickets. A number of governments around the world set up their own airlines and also allowed the coming of private airlines which led to price competitiveness and therefore lowering of ticket prices which resulted in increase in passengers. And subsequently online reservation systems were introduced which turned out to be a boon for the aviation industry in recent times as it has made everything so convenient for the passengers as well it has made keeping track of passenger information possible for the airlines.

The US government passed an airline deregulation act in 1978 which basically removed government control over fares, routes and market entry for new players in commercial aviation. Although it didn't remove the control of the government over safety issues which is still being taken care of by the Federal Aviation Administration (FAA). The airline could now act freely on their own in an open market. "This was the beginning of the fight for every single passenger" (Sturken Peterson & Glab 1994). The same deregulation happened in Europe but in the beginning of the 1990's.

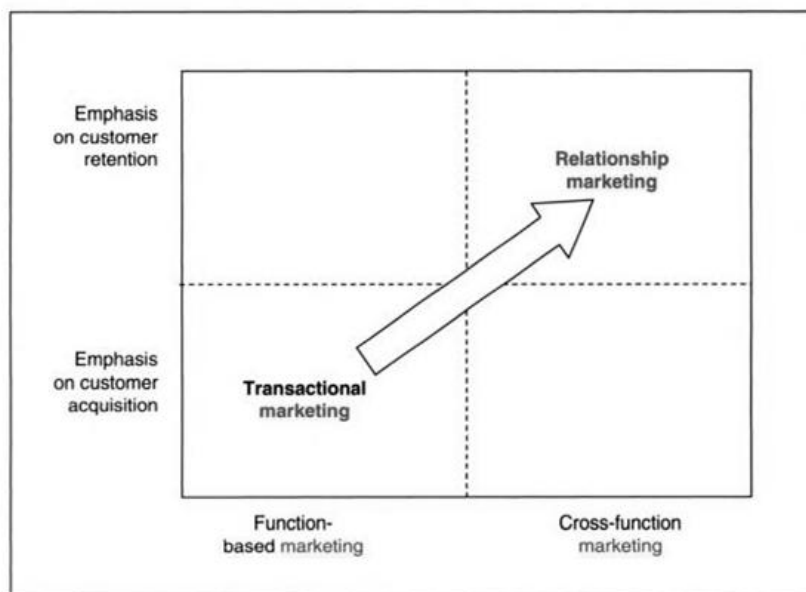
In those years of competition the airlines innovated a lot of new marketing strategies like price management as a competitive tool, yield management to control daily revenue stream and manage capacity, frequent flier programs to increase customer loyalty and product differentiation in the various service classes. New management styles such as employee-stock ownership at United airlines or fun as a business philosophy at Southwest airlines, triggered new marketing innovations (Freiberg & Freiberg 1996, Petzinger 1995). Recently added to the list is also relationship marketing. Even though there have been instances of hijacks and crashes but flying is still considered the safest of all transport modes. This is due to the dynamic and ever changing nature of this industry. Whenever there is a failure it is rectified and it's made sure that the fault never occurs again.

All these changes and innovations in the airline industry shows that the major key to succeed in this industry is not based on money only but relies more on the competition and the changing value of the customer. The airlines have to focus more on their relationship with the current and future customers to stay in the lead.

1.2 The role of customers in Aviation industry

Success of any airline in the long term is defined by customer loyalty, long term engagement and interaction. Traditional marketing practices have had their shortcomings as they only focused on transactions or acquiring new customers rather than retaining the existing ones. New marketing strategies have been made possible with the recent technological developments such as data warehouses, e-commerce etc. There are now some modern marketing methods such as one-to-one marketing which extends the values of relationship marketing to one step farther. It's basically treating each and every customer as an individual and tailoring specific plans, offers and programs for that individual customer.

Figure 8. The transition to relationship marketing.



(Source: IBM value analysis)

1.3 Managing the customers in the aviation industry

The airlines these days are focusing on value additions to their products so as to retain more and more customers. They are targeting the customers who need that added value and are also willing to pay more for it.

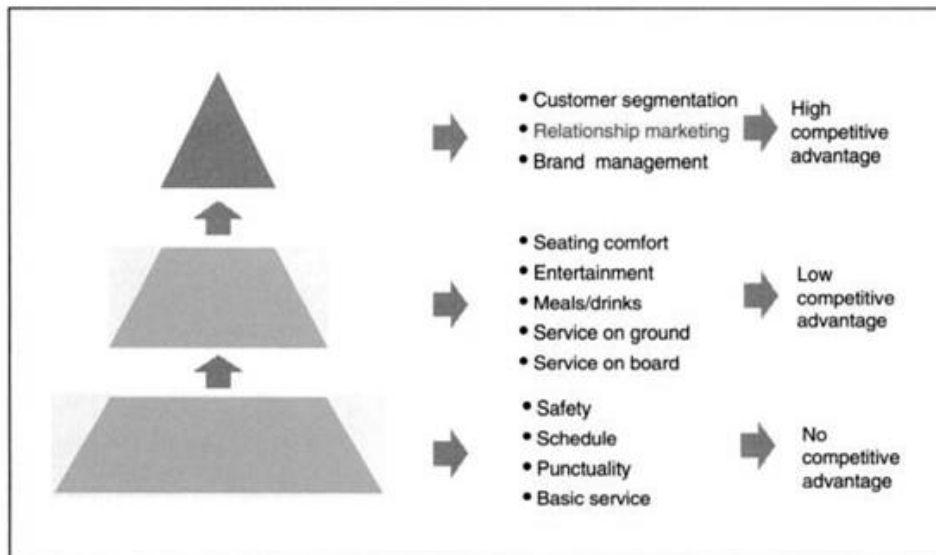


Figure 9. Customer value pyramid, aviation industry (Source: IBM value analysis)

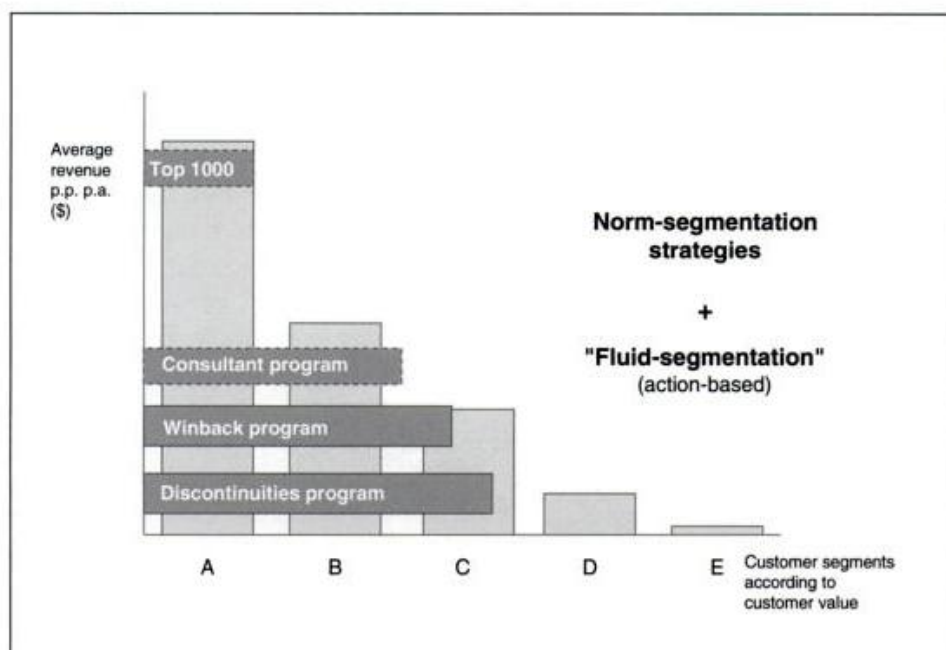
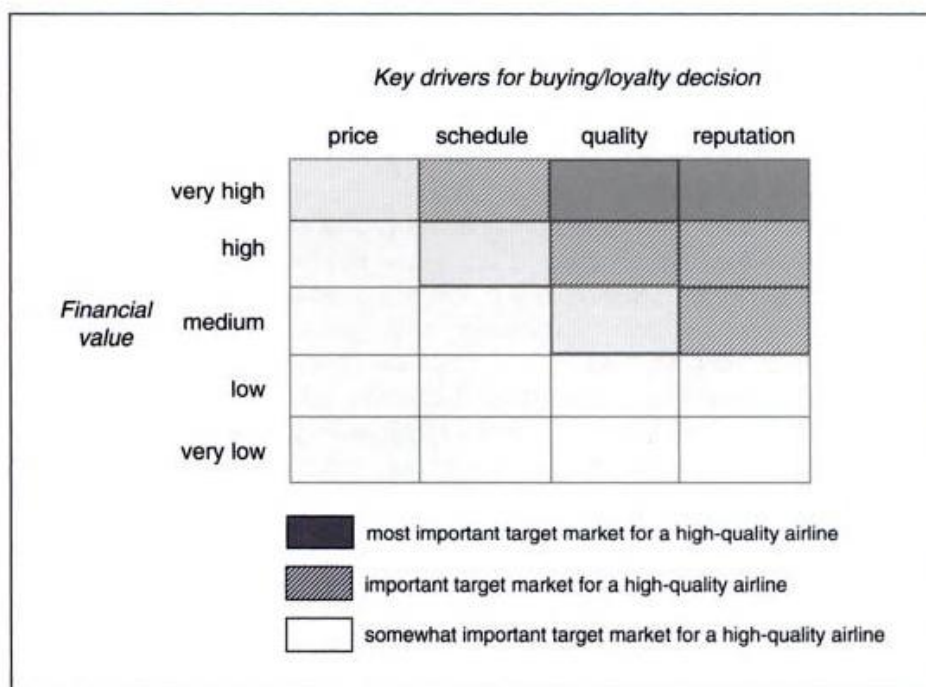


Figure 10. Customer segmentation based revenues (Source: IBM value analysis)

The airline industry is going through drastic changes worldwide. The industry hasn't fully recovered after the recession of 2008 and the bad image of the terrorist attacks of 2001. Although the American and European industry was hit the most, there's no denying that the industries around the world suffered the aftermath. Most of the companies are trying to decrease the operational costs to increase profitability and insure their existence in the coming years but the customer relationships cannot be ignored fully. A customer relation is what brings a customer and the airline close to each other. The offers and services can be developed and modified according to individual customers to make sure they remain loyal to the airline. This is not very difficult to do in this age of technology and social media revolution.

Figure 11. Target market for loyalty programs



(Source: IBM value analysis)

Airlines immediate focus is on cost reductions in driving to more efficient operations (IBM, CRM). However, for most aviation companies customer relationship management is a secondary thing and not much attention is paid for its development. No company wants to base its strategy wholly on customer

relationship management. They think customer relationship is all about frequent flier programs while the reality is far more complex than that. We will discuss that later in the study.

In order to manage the customers more effectively across all lines of service, airlines must change their approach to managing customers in a number of ways:

- *Customer Segmentation*: As opposed to the mileage based segmentation if the airlines use a need based or value based approach which will not even keep the current customers happy but will also pull in new customers.
- *Initiative development*: Rather than blindly following the other airlines with their frequent flyer programs, the company should develop and customize its own CRM initiatives which correspond to the needs of the specific customer market and demographics.
- *Organisational design and management*: The employees need to have a clear vision and they should know that this is a service oriented industry and if the service is not up to the mark the consumers will not be happy. Proper training and making them understand the role they play in the CRM initiatives could do the trick.(The future of airline CRM, IBM study)

Any airline that aims to be profitable, highly admired and retains high-value customers needs to implement a truly consumer-centric approach to relationship management. Through the development and implementation of customer analytics and decision-support technologies, airlines can begin to use customer information not only to differentiate service levels based on customer value, but also to drive crucial operational decisions. An airline's CRM program can be a path to achieving both short term operational efficiency and long-term relationship management and growth.

"Airlines are recognizing that CRM is a long-term investment, with the true benefits reaped through profitable lifelong customer relationships"(IBM, CRM study). To provide the customers with a unique experience and still maintaining a low operating cost most of the airlines are turning towards CRM. Although after 2001 attacks, operational and security issues are of top priority but the airlines are starting to understand the importance of customer relationships and are investing a lot on the same. CRM's promise is indeed compelling: strengthened loyalty driving increased revenue, with lower acquisition costs and improved operational efficiency. CRM has become an integral part of their corporate strategy.

Although the airlines know the importance of customer relationship programs, the efficiency of these programs are doubtful and far from optimal. Few airlines truly exploit CRM analytics to segment their customers based on value rather than miles flown; instead, they are using only simplistic segmentation models (IBM, CRM study). The programs such as frequent flier programs are run according to the competition rather than the customers' true needs. Most of the CRM initiatives put forward by the aviation companies have no clear goal or direction and they are almost similar to the other programs offered by other airlines, which makes them lose their individuality and distinctiveness. Airlines need to address these issues as they can make a huge difference in the coming future and directly affect their profits and business. CRM has been just used as a competitive catch up rather than a full fledged strategy.

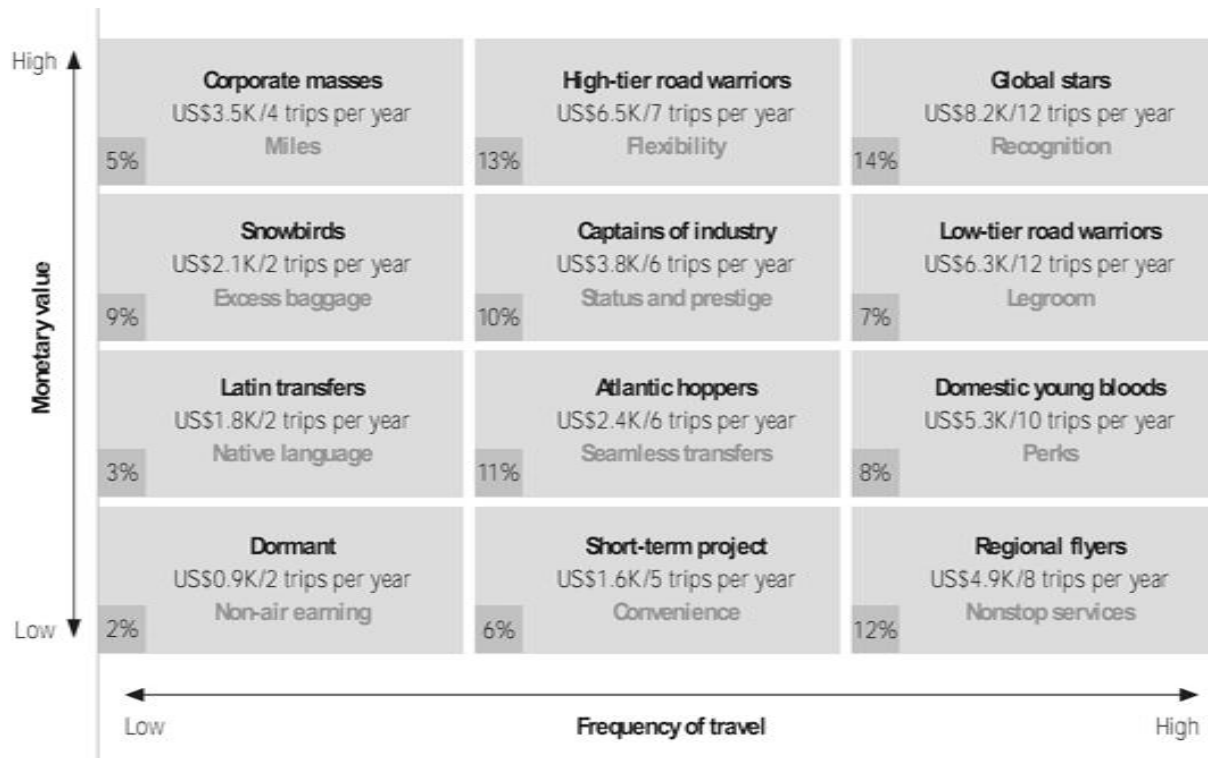
These days frequent flyer programs, kiosk check-in, flight-notification systems, e-ticketing, virtual check-in and Web-based self-service have become commonplace. One of the primary goals of CRM is to differentiate a company's services to the customer through personalization but CRM in the form in which it is practiced today has become a commodity, with many services indistinguishable from airline to airline(Amadeus study 2013).Airlines can distinguish themselves by concentrating on customer relationship building. Copying the other airlines just

for the sake of staying in the competition is a waste of money and time and isn't profitable for anyone.

To be different and unique the airlines needs to differentiate the consumers according to their value and needs. Customer segmentation will play a vital role in designing a CRM strategy. Customers should be segmented on their value which in turn will enable an airline to understand the profitability of each customer. By judging the customers' value to the company, and their key needs, the airline can determine which customers it should retain and how it can migrate to lower-value customers to higher-value segments. This knowledge, in turn, can help guide investment decisions on, and better enable calculation of ROI, from customer-oriented initiatives(Winer, 2001).

Even today most of the airlines base their customer segmentation on demographics and frequent flier statistics. None of which aren't an efficient method of segmenting. Demographic segmentation just indicates where the person lives or what's his family status but doesn't define how profitable he will be or what his value is to the airline. On the other hand frequent flier programs do analyze the value and the amount the customers spend on flying but again it's a flawed method as most of the customers who have the highest number of miles or points are not a major part of the whole revenue of the airline. They simply have travelled long distances a few times or are enjoying the benefits of privileged membership and are even paying less than the other regular customers. The airlines need to understand the value and needs of its customers. Potential value can be judged through their average spending or net household income etc. About needs, some customers want extra luggage space, some want non-stop flights, some want good In-flight entertainment and some want really good catering. The airlines need to understand these needs according to different sectors and modify their services according to these needs. This way the customers will be happy and willing to spend extra which means profits for the airline. Every segment and sector should be treated differently and accordingly.

Figure 12. Value based customer segmentation



(Source: IBM value analysis)

Airlines can use direct and indirect ways to get a feedback on their services and they can then map it against individual customer segments. They can then use advanced customer analytics to develop unique insights into the habits and needs of each customer segment. Customer value segmentation becomes a valuable tool in CRM program definition and execution.

Figure 13. Methods to identify customer needs

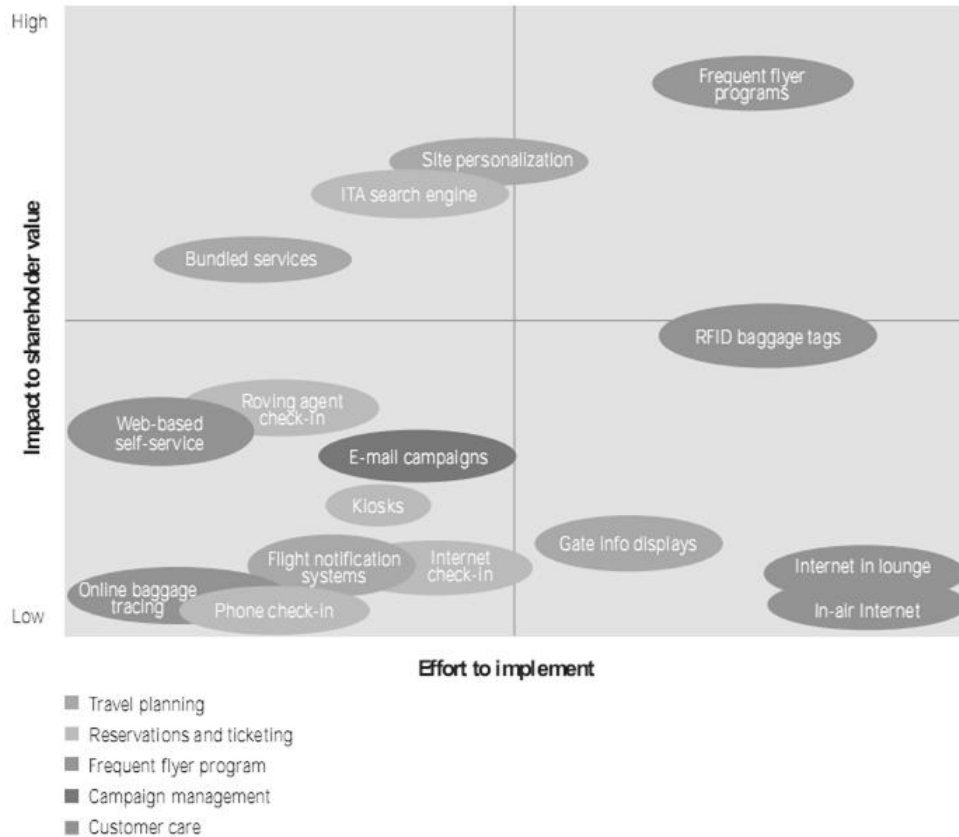


(Source: IBM value analysis)

Customer self service methods are also in place these days with almost every airline. Self service such as online booking, online check in etc are really helpful for the airlines to reduce operational and service costs. It also increases the customer satisfaction in a way that it gives full control in the customers' hands and additionally it reduces wait times and provides greater information access. It's an efficient method and its widespread adoption has already shown its worth. An airline must also determine what initiatives best drive shareholder value. Frequent flyer programs, offer high return to the airline, not only in terms of increased

customer loyalty, but also in the ability to sell miles or points to third parties, which extends the loyalty program and creates a new revenue stream. Other initiatives, such as online baggage tracing, may offer minimal benefit to the airline, only improving customer satisfaction slightly. (South western airlines annual report, 2012)

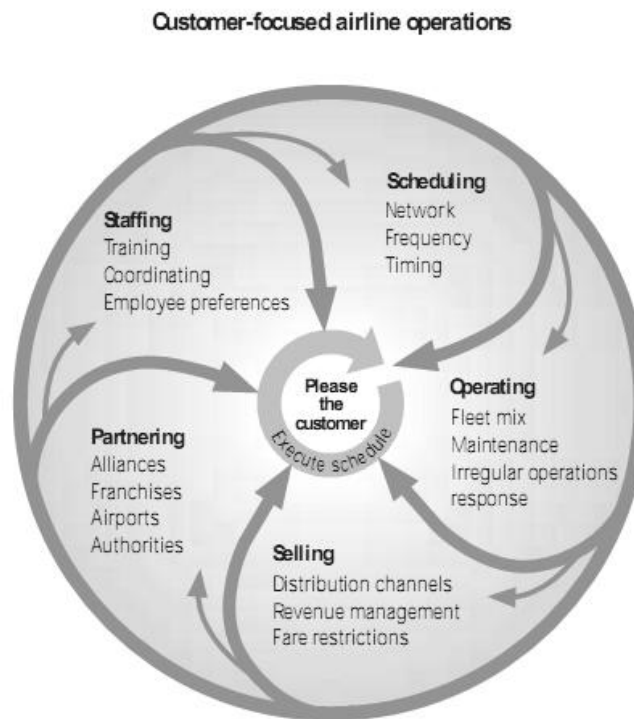
Figure 14. Financial assessment of select CRM initiatives



(Source: IBM aviation CRM study)

The key is that the customer is central to improving key operations. In turn, all operational improvements must support strengthened customer relationships for airlines to achieve long-term viability.

Figure 15. Customer focused airline operations



(Source: IBM aviation CRM study)

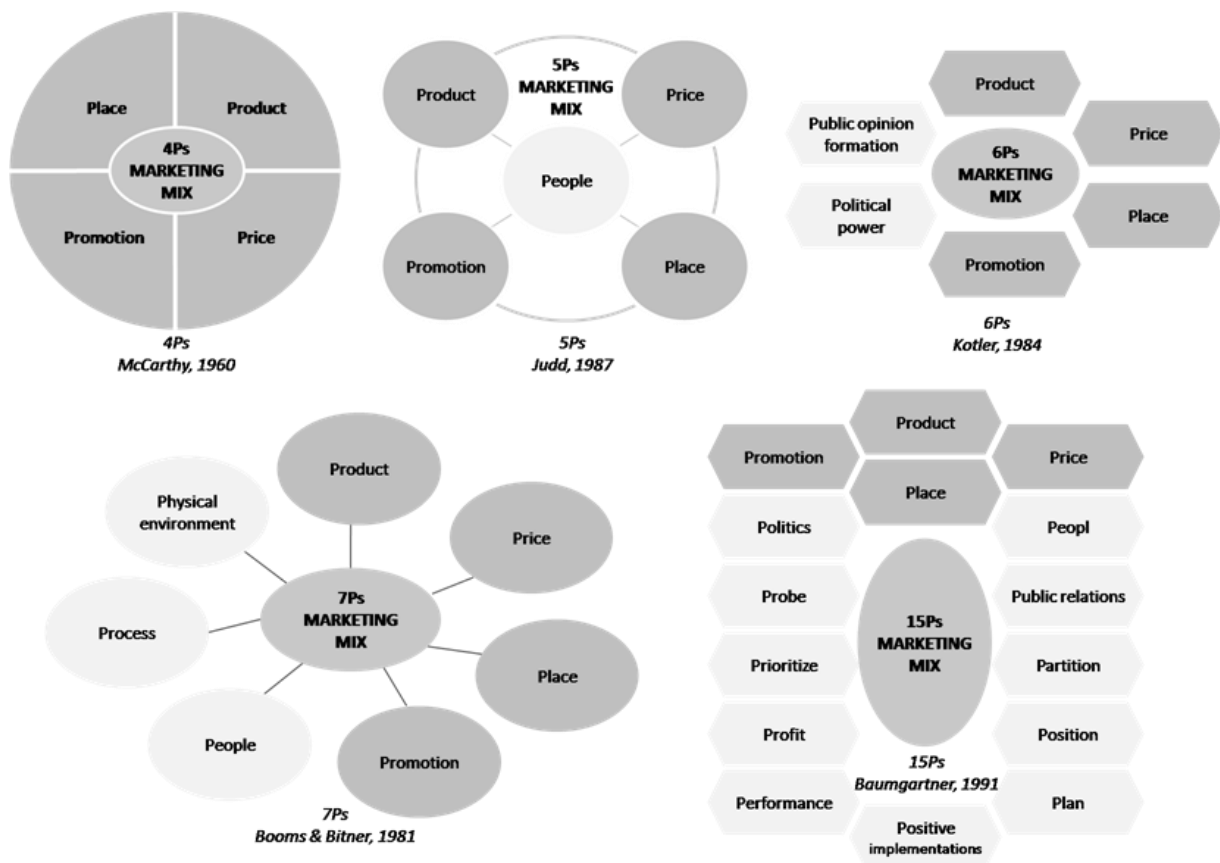
1.4 Analysis of the Airline Industry from a marketing perspective:

The airline product is not a „physical item at all, but services that consumers find useful“ (Wenseeven 2007). So we can study the airline product in terms of a service. There are typically 5 characteristics of services, namely intangibility, inseparability, variability, perishability and no ownership (Palmer, 1994 cited by Kossmann, 2006). Moreover airline services are mostly tailor made to individual customers and lots of factors such as weather, fuel prices etc can influence it positively or negatively. The service industry connotes economic activity which takes the saleable form primarily or exclusively of a personal service rather than a material commodity. Service industry can be differentiated by type of buyer, categories of consumer expenditure, private vs. public activities etc. (J. Stigler, 1956) In this section I will try to describe the airline product using the extended marketing mix (7P's) and discuss all the relevant features of the industry.

1.4.1 Airline marketing mix

Although the 4P's of marketing approach is generally used, due to the complexity of the marketing operations these days it has been extended or simplified in order to be more efficient. Here we will be talking about 7P's of the Airline industry which is basically an extended form of 4P's by adding 3 more dimensions.

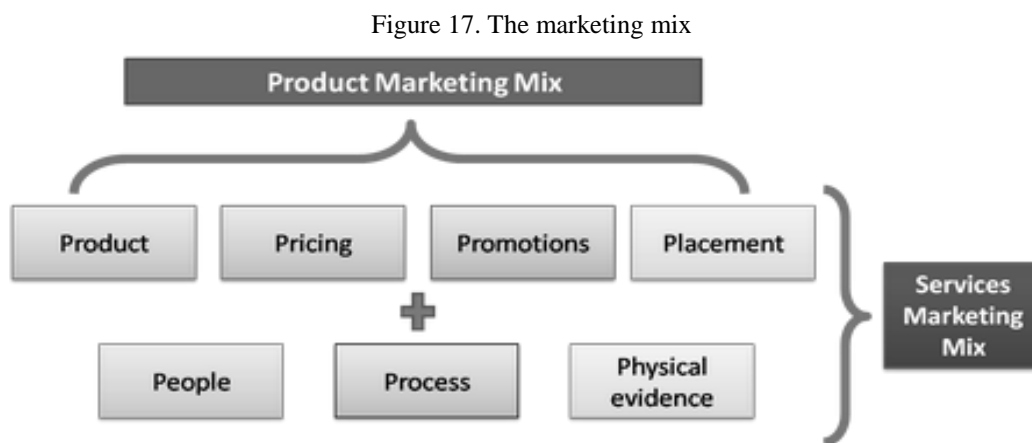
Figure 16. Additional Elements of Marketing mix



(Source: Entrepreneurial-insights.com, 2014)

1.4.2 The Extended Marketing Mix Analysis for Services(7P's of marketing):

7D model was proposed by Bitner and Booms in 1981, which extended the marketing mix to seven from four which are product, price, place, promotion people, physical evidence and process. Previously in the 4P theory, any service provision and the role of good customer service was largely ignored and the potential impact on brand development and the user experience was not understood. 7P model helps create competitive strategies in a more holistic manner.(Entrepreneurial-insights.com, 2014)



The traditional elements:

- i. Product(Physical good features, quality level, accessories, packaging, warranties, product lines, branding)

Here the production and consumption of the product are simultaneous and the product is intangible, diverse, perishable and allows for on the spot customization. To ensure good quality and user experience, airline industries aim to give some customization within an overall standardized mode of delivery. Even if all other dimensions of the marketing mix were designed and executed in an

excellent manner, a company could not be successful with a poorly developed core product (Lovelock et al., 2008).

In aviation, the core service is travelling from a point to another and other airline products include reliability, safety, food, seat comfort, punctuality, in-flight entertainment and even the type of the aircraft. These characteristics are all common to the different airlines and there is very little scope for product differentiation. The only way for an airline to stay ahead from its competition is to innovate. For example take Virgin airlines, they have been innovating in a radical manner whether it is by launching the all new Airbus X350 or putting up double beds in their first class. They are also planning a flight to outer space in the coming years and also planning to make a plane which has LED screens all around the cabin which will show a 360 degree view of outside. Although this hardly affects the sales of the tickets as most of these things are out of reach for the common people, still it affects the perceived quality and image of the airline in a positive way.

ii. Price(Flexibility, price level, terms, differentiation, discounts, allowances)

An airline service there are some tangibles, such as the labour costs and overheads but even the ambiance, the experience and the brand name factors into the final price offering. Price is probably the flexible element of marketing mix and also the most confusing one. Market price is the main competitive element for any airline flying in India. Price is a value that will purchase a finite quantity, weight, or other measure of a good or service.(business dictionary) Airlines might used a price based or a value based approach of price determination. Issues can arise as complicated fare structures with complex rules may not be understood by intermediaries. The disparity between product and price might cause a confused image so prices should be set in a way that they are consistent with the product or service provided.

- iii. Place(Channel type, exposure, intermediaries, outlet locations, transportation, storage managing channels)

The place at which this transaction occurs is of vital importance and the location of the service provision is carefully analyzed to allow ease of access and the desire to make the effort to reach it. the process of making the service available to customers consists of the place dimension. In the airline industry this dimension covers the selection of the right distribution channels which enable the company to reach their target market(Wensveen, 2007). E-ticketing has been having a major impact on the airline industry. As internet is being available to more and more people in India, general distribution systems (GDS) which are basically computer reservation systems are becoming less preferred. Airlines are trying to make their electronic services more attractive and efficient as e-commerce eliminates the intermediary or agent costs. To increase the profitability airlines try to switch business from indirect to direct channels. The process of selling tickets directly to customers without having to pay commissions to intermediaries or GDS providers is called disintermediation. The term re-intermediation refers to travel agencies which conduct their business only online. In India, even though passengers increasingly use online channels for information search, offline distribution channels are selected for the booking process due to privacy or other concerns.

- iv. Promotion(Promotion blend, salespeople, advertising, sales promotion, publicity)

For a service to not become confused with its competitors, it becomes really important to create a desirable brand image and name in the market. One of the main purposes of promotional activities is persuading potential customers to choose the product of the own company and not products from competitors (Armstrong et al., 2009) Promotional activities have to be educational and informative. In the airline industry promotional activities are mainly about advertising, personal selling, loyalty programs, sweepstakes, raffles and give

away items (Wensveen, 2007). In this case a marketing communication system could come in handy which deals with all the aspects company, consumers, public and intermediaries. The graph also includes the pillars of the marketing communication mix which are advertising, personal selling, sales promotion, public relations and direct marketing. It is crucial for companies to make sure that a consistent message is delivered via all communication channels to prevent confusing customers (Kotler et al. 2008). Social media platforms can also play a really important role in the promotional activities of an airline.

The new elements:

- v. People (Employees, customers, communicating culture and value, employee research)

All the businesses invest in defining the right kind of person to fill their service role and then making efforts to find or train people to fit this definition. Therefore emphasis should be put on carefully recruiting, training, motivating and rewarding staff (Kossmann, 2006; Lovelock et al. 2008). There is also a great impact of the behaviour, number of staff and their uniform on the image of the company. The airlines want their customers to experience their brand with all senses to establish emotional relationships between them and their brand (Steiner, 2011).

- vi. Physical evidence (facility design, equipment, signage, dress code)

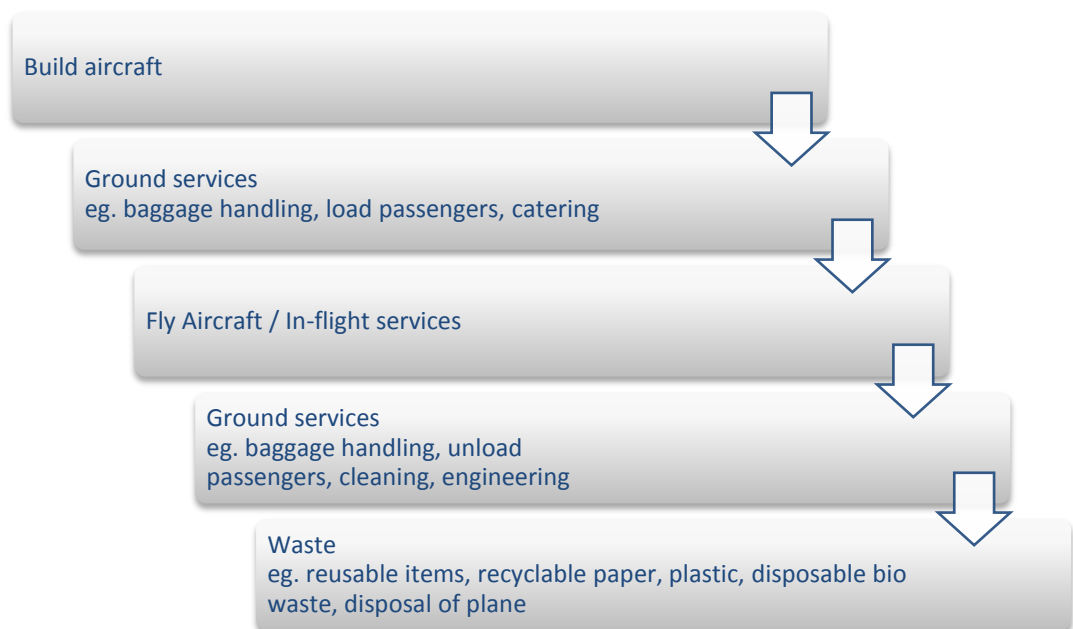
The level of comfort and attractiveness of a service location may make a lot of difference to the user experience. A calm and soothing environment with thoughtful comfort measures may provide a sense of security to a new customer which will make them return. The physical environment covers any tangible evidence of the image or service of a company. As the main service takes place on board of the aircraft the aircraft type, cabin design and equipment play an important role. Moreover any printed material or report can be described as a physical evidence of a company (Kossmann, 2006; Lovelock et al., 2008).

vii. Process(flow of activities, number of steps, level of customer involvement)

A process needs to be clearly defined for the service provider. This basic process should ensure the same level of service delivery to every customer, at any time of day, on any day. Within this process, there should be defined areas where a customer preference can be accommodated to provide a unique experience. Vital aspects which have to be considered are the effective flow of activities, the standardization of procedures aiming at reducing the disparity between services and the need for making customers familiar with service procedures. (Kossmann, 2006; Lovelock et al. 2008).

1.4.3 Airline product life cycle

Figure 18. Selected activities in the life cycle of flight services



(Source: Kossmann, 2006)

Chapter 2: Indian aviation industry

Flying was a very tangible freedom.

*In those days, it was beauty, adventure, discovery
the epitome of breaking into new worlds.*

— Anne Morrow Lindbergh, 1929.

2.1 Indian aviation history

Just 7 years after the Wright brothers got airborne, the first plane started flying in India. In 1910, a few aviators from England and Belgium came to India in search of buyers and business opportunities. At that time His highness the Maharaja of Patiala got interested in the flying machines and sent scouts and engineers to England to get some planes back to India. The first two planes to be brought back in India were British and French respectively but unfortunately none of them got the chance to fly. Finally another British automotive company called the Humber Motor was successful in assembling and plane and flying it for a short period of time in December 1910. At that time the aircraft cost just around 550 pounds. The second aircraft was flown the next day and it carried the first passenger from the country itself. India had its first commercial flight between Karachi and Delhi in 1912 which was run by Indian Air services with Imperial Airways from Britain.

The aviation industry was interrupted by the first world war in 1917 but got back on track around 1932 when the Indian Air force(IAF) got its first squadron. Around that time Jahangir Ratan Tata Dadabhoy(JRD) got successful in negotiating with the Indian government and started the first airmail service in India. He himself was the pilot of the first flight. In the beginning only British companies were allowed to fly but as time passed and the need for airlines arose, permission was granted to anyone who wanted to start an airline. A lot of different airlines started which started to compete with each other. In 1953, Air cooperation Act was passed which led to the nationalization of all the airlines. Air India was taking care of the international circuit and Indian Airlines took care of domestic

aviation. Although now due to economic reforms and decisions these both airline were merged to form Air India.(Bhargava, n.d.)

At the time of independence, the infrastructure was somewhat unavailable, the country was recovering from a long rule and really needed a new direction in aviation. The airports were not of very high quality and many of them were makeshift airports without any facilities. It was a challenge to land any aircraft on those airports and they had a capacity for only small and medium sized aircrafts. In 1994, AAI(Airports authority of India) was formed with the merger of NAA and IAAI which marked a revolution in Indian aviation and the beginning of a new and refined era for flying. Indian government implemented a policy of open skies and other liberalization policies which opened the door for many low cost and private airlines which in turn made aviation a really popular mode of transport. This also demanded a rapid growth in infrastructure to fulfil the needs of growing volume of passenger traffic. Since then many advanced developments to ensure safety have been implemented such as satellite based surveillance and navigation system called GAGAN, India will be the fourth country in the world to achieve this feat.(C. Mehta, 2011) India also figures in the top ten aviation markets in the world and this market is rapidly growing. It's still one of the fastest growing aviation industry in the world with a compound growth rate of 18% a year. This year Indian aviation completed its 105 years.

Today the Indian aviation sector can be broadly divided into the following main categories:

- Scheduled air transport service - domestic, international airlines.
- Non-scheduled air transport service - charter operators, air taxi operators.
- Air cargo service - air transportation of cargo and mail. (Indianmirror.com, 2014)

2.2 The civil aviation market

According to DGCA(Directorate General of Civil Aviation) these are the following functional airlines in India:

Passenger:

- Air Asia India
- Air Costa
- Air India
- Air India Express
- Air India Regional
- Go Air
- Indigo
- Jal Hans
- Jet Airways
- JetKonnnect
- SpiceJet
- Vistara

Charter:

- Air Odisha
- Chhattisgarh Air
- Link Club One Air
- Deccan Charters
- Jagson Airlines
- Pawan Hans
- Spirit Air
- Taj Air
- Titan Aviation India

Some major carriers are as follows:

IndiGo airlines(Content.goindigo.in, 2015):

An Indian budget airline company which is also the largest airline in India with a market share of more than 32%. Its headquarterd in Gurgaon and was founded in 2006. Its primary hub is at IGI airport New Delhi and offers more than 500 daily flights connecting 37 destinations which include 5 international destinations. It has a fleet of 84 aircrafts which are all Airbus A320 aircrafts and another 180 Airbus A320's and A321's are on order which is one of the largest orders in aviation history. Indigo doesn't keep any planes older than 6 years in its fleet.

Services:

Indigo is the only airline in India to have a speciality ramp that allows people on wheelchairs to get in the plane comfortably. It consists of only one class and doesn't offer any complimentary meals. There is no in-flight entertainment but an in-flight magazine is provided named 'Hello 6E'. It has a IndiGo corporate program for the business travellers.

Jet Airways(Jetairways.com, 2015):

The second largest airline in India(based in Mumbai city) in terms of market share and passengers carried. It was founded in 1992 and operates over 3000 flights daily to 74 destinations(52 domestic and 22 international) in 19 countries. It has a scissors hub(airports whose main function is to serve passengers connecting to other flights, rather than its own hinterland) in Brussels, Belgium. Jet Airways fleet has a total of 117 aircrafts and another 90 are on order.

Services:

Jet airways is a full service airline as well and also consists of 3 classes on most of the routes namely Economy, first and Premier. The in-flight entertainment service called 'Jet screen(Panasonic systems)' is offered on B737, B777 and A 330 aircrafts. It also introduced a service called 'eXport' on their A330 aircrafts which

basically allows the passenger to plug in their personal devices to access their personal media. Lounge access is offered in 19 domestic and 20 international locations.

Air India(Airindia.in, 2015):

The flag carrier of India which is owned by Air India Limited(AIL), Government of India. Third largest airline in India according to the domestic market share. Was founded in the year 1930 as Tata airlines. Air India was actually formed by merging of Indian Airlines(domestic) and Air India(International) in the year 2011 and was then officially called Air India Limited. It has two major hubs which are located in New Delhi and Mumbai respectively. The company went through a bit of financial crisis with the emergence of private players such as Jet Airways, Indigo etc but now it's showing a turnaround with growth in profit and market share which is about 19% now. Air India is now officially a member of Star Alliance(Global airline alliance, headquartered in Frankfurt am Main, Germany) as well. It serves 60 domestic destinations and around 31 international destinations in almost 19 countries. Currently Air India has a total fleet size of 101 aircrafts excluding 29 more on order which basically consist of just Boeing and Airbus aircrafts.

Services:

It's a full service airline and consists of First, Business and Economy class seating on most of its routes. Airline's A320, B777, B747 and B787 all have a Thales in-flight entertainment system and the in-flight magazine is called Shubh Yatra which in Sanskrit, means happy journey. The frequent flier program of Air India is called Flying returns is India's first frequent flier program and is claimed to be one of the most rewarding in the region. Air India also provides online check-in to passengers originating from Delhi, Mumbai, Kolkata, Chennai, Hyderabad and Bengaluru. 4 cities out of this 6 namely Mumbai, Delhi, Hyderabad, Bangalore and 2 International destinations New York as well as London also have the

premium lounge service which is known as the Maharaja lounge which literally means Emperor's lounge.

SpiceJet(Spicejet.com, 2015):

The fourth largest airline by passenger share and is based Chennai, Tamil Nadu. It was founded in 2005 and operates around 340 daily flights to 41 Indian and 8 international cities. It has a total fleet size of 38 and 57 more on order which consists of Boeing and Bombardier aircrafts.

Services:

There is no in-flight entertainment on board apart from a magazine called 'Spiceroute'. SpiceJet also provides priority check-in services and also offers a host of add-on services namely travel insurance, in-flight meals, excess baggage allowance, bag out first, SpiceMax, student discounts and other offers. It also have an exclusive members hub called SpiceConnect which makes booking and payments a breeze.

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2.3 SWOT analysis of Indian aviation industry

Strengths:

- Liberal environment

Liberalisation of the Indian Aviation sector started with the free skies policy of the Indian government during the early 90's. This helped a lot of private and small companies to claim their stake in the aviation sector. It lead to lower costs and improvement in service quality overall. Full liberalisation is the prerequisite for maximising potential benefits and greater commercial freedom does allow the airlines to improve their productivity and efficiency. (IATA.org, 2007)

- Young fleets

The fleet sizes in India based airlines is ever growing and the introduction of many new airlines such as AirAsia-Tata and Singapore Airlines-Tata ensures that the average fleet age of aircrafts in India remains low under world average. Indigo airlines just made a huge order of 250 aircrafts with Airbus and Air India replacing their older planes with newer generation planes to attract more customers. The older planes are being phased out slowly and Air India is the only airline which has a few older planes as the other airlines are all comparatively new. This is a strength as a younger fleet means less safety concerns as well as environmental concerns. (kpmg.com, 2014)

- Economic growth factor

Although the economic growth rate in India has slowed down in the past few years the establishment of a new government ensures that it will get back on track. The new Prime Minister Narendra Modi has mentioned the economic growth as one of his main agenda and is starting a movement called 'Make in India' which will ensure stunning growth rate the coming years. For a decade India's growth rate neared 10% which has slowed down to 5% currently. Some people say that the Indian economy is losing its way but Mr. Shashi Tharoor, Member of the Indian Parliament for Thiruvananthapuram says ' Services exports are rising, remittances remain strong and the domestic sector continues to expand apace. These are not the signs of an economy that is losing its way.' Although Investors, both local and foreign, had become frustrated by stalled reforms, huge corruption scandals and bureaucratic inaction during the last few years. Indian rupee has fallen flat and inflation rate looks really high still the days to come look promising as India is currently going through a industrial revolution which is similar to the one the Chinese economy went through and which made it a major economic player. India's government is attempting to control the issues by setting a few major reforms such as cutting subsidies on diesel and gas; promising to raise funds by selling of parts of state-run firms; easing conditions for foreign investors

in domestic aviation, broadcasting, electricity trading, single-brand shops and, most important, supermarkets. (Economist, 2014)

- Political stability

'Standard & Poor's Ratings Services said on Friday that it has revised its outlook on India to stable from negative, citing the improved political setting of the country, which will offer a conducive environment for reforms, boost growth prospects and improve fiscal management.' India has been given the 'BBB-' long-term and 'A-3' short-term unsolicited sovereign credit ratings. "The ratings on India reflect the country's strong external profile, combined with its democratic institutions and free press, both of which underpin policy stability and predictability," S&P said in a press release. The rating agency said India's external position is a key credit strength. The country has relatively little external debt and a much improved external liquidity position.(Michael, 2014)

Weaknesses:

- Infrastructure(airport/airways)

India is generally not known for a sophisticated and efficient infrastructure and it is true so in many ways. Land acquisitions and different kinds of expansions are quite difficult due to outrage from the farmers who don't want to give up their livelihood which is dependent on the land they have. The compensation plans seem to be ineffective in this case. Although infrastructure in India is growing at a steady pace it's not enough to fulfil the demands of the growing population and businesses. 'Challenges to bridging the infrastructure gap are broad reaching and encompass such critical areas as natural resources shortages, corruption, retreating investors, and pressure created by the demands of a large and growing population.' The new government promises to change things in a positive way by the end of 2017 but that seems more like a empty promise than an achievable feat. Although the government has assigned \$1 trillion for infrastructure growth till 2017, the

widespread corruption and bureaucracy makes us assume that only a fraction of that money will actually be actually used properly. AT the beginning of this month only a mega project of building a bullet train network connecting Mumbai and Ahmadabad was postponed indefinitely due to opposition from the land owners and regional government. (PwC, 2014)

- Flagship carrier

Air India has not been doing good recently as they have been facing constant financial problems and staff disputes. The airline has a severe debt and recent strikes by pilots and ground staff has made it even worse. There have been rumours of the airline being shut down for good. All the problem lies with the not so efficient merger of Air India and Indian Airlines back in 2007. They have had integration problems ever since. Before merger their combined market share was close to 60% which has now fallen to mere 17%. Air India has been severely downsizing specially on its international sector. (Kannan, 2012)

- Tax structure

Minoru Usui, the global President of Seiko Epson Corporation, says: 'We have been successful in India. But we are facing difficulties due to the complex tax structure like import duty. When we move products from one State to the other, some tax is imposed. That kind of State to State tax variation does not suit us. The complex tax system is the barrier. The Goods and Services Tax, which the government has been talking about, is yet to be implemented. We want improvement in this area.' He also talks about the procedural delays resulting due to widespread corruption in the country. (Mishra, 2014)

- Training and skill availability

'India's "demographic bulge" - the hundreds of millions of young people who will flood its job markets in the next decade - is in danger of sliding into a lopsided

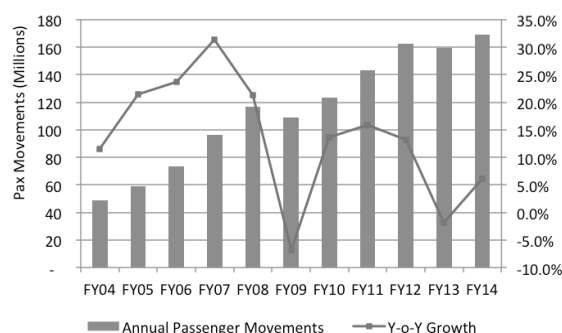
paunch that will weigh the nation down and crimp its gross domestic product. The problem is simple: Indians are obsessed with textbook education and white-collar dreams.' The national Skill Development Council(NSDC), a public-private partnership tasked with funding and directing private skilling programmes, met about 16.% of their skilling target for 2012/13. There were around 8.5 million people who needed training but only 1.4 million actually received it. (Pande, 2013)

Opportunities:

- Market growth

According to Deloitte's Global Manufacturing Competitiveness Index, India is currently the fourth most competitive manufacturing destination worldwide and is forecast to become second only to China by 2018. Under the new Modi government is sure to introduce many new labour and policy reforms, investment incentives, and improvements to the country's outdated transportation and power supply networks. Besides the regulatory and Infrastructure obstacles, India has nearly all of the key ingredients necessary to transform its economy into a manufacturing juggernaut: a demographic dividend, attractive domestic market, comparative advantage in labour and shipping costs, an inexpensive currency relative to the dollar, and low political risk. As the Indian economy is recovering from the mistakes made by the former government, the aviation industry is sure to benefit with the growth in market and development in infrastructure. (Briefing, 2014)

Figure 19. Annual passenger movements



(Source: CAPA India, AAI)

- Geographic location

Lord Curzon of Kedleston, former Viceroy of India during the British Raj said: *'The central position of India, its magnificent resources, its great trading harbours etc. are assets of precious values. On the high seas it commands the routes to Australia and the China Sea.'* What he said was in a political context but it fits perfectly to the modern aviation industry as well. India is well connected to all the major airline hubs of the world namely Dubai, London, Moscow, Hong Kong etc and its prime location makes it an even larger hub for airlines and airline business. New Delhi and Mumbai are already major hubs and see a great amount of passenger movement every year. Almost every airline in the world is either flying to Delhi, Mumbai or via it.

- Lower costs

India's labour costs are considered one of the lowest in the world and are a major advantages for the domestic and foreign businesses to be operating here. According to the Bureau of Labour Statistics, average labour compensation (including pay, benefits, social insurance, and taxes) has only increased marginally in recent years, from US\$0.68 per hour in 1999 to around US\$1.50 per hour today. India also has the biggest force of unskilled labour as well as English speaking scientists, engineers, executives capable of supporting any form of business operations.

(Briefing, 2014)

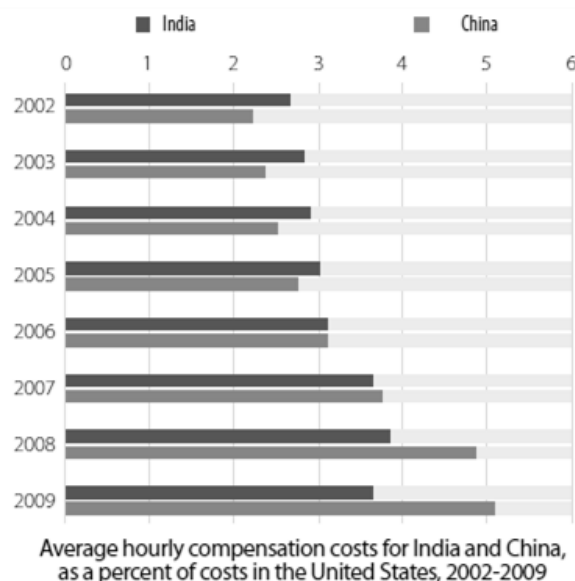


Figure 20. Hourly compensation costs comparison (Source: US bureau of Labour statistics, International labour comparisons)

- Growth of middle class

It is the middle class which has propelled the country in a direction of development and made it stand almost as strong as the G7 countries. According to organisations like the United Nations and the Organisation for Economic Co-operation and Development (OECD), a middle class person is someone who earns or spends \$10 to \$100 per day and an average Indian worker fits this perfectly, as a matter of fact most of the Indian population earns or spends around that much. This is the wage when you have enough disposable income to spend on buying stuff. According to the economic theory countries like India are supposed to grow faster than the already developed countries due to the availability of information and researches as it's not really dependent on innovation for growth unlike the developed countries. India only opened its doors to the outside world after 1991 balance of payment crisis and its only been 23 years since then, considering that the growth is quite impressive. (Yueh, 2013)

Threats:

- Terrorism

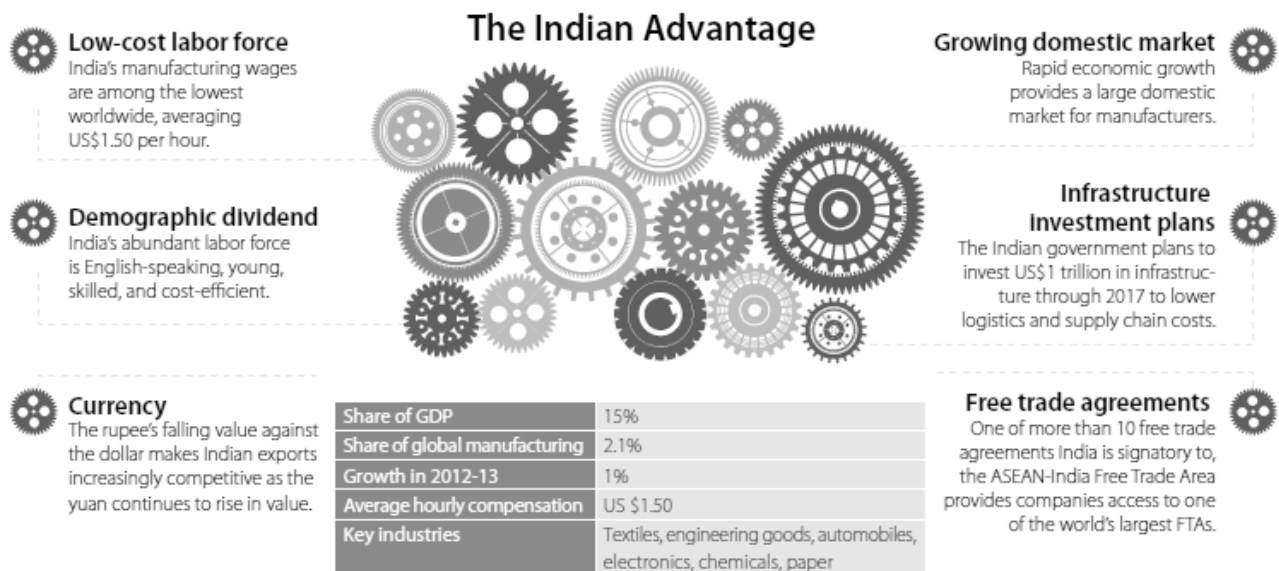
India has had its share of terror strikes and hijacks, most of which happened during the years 1970 to 2000 and were carried out by some kind of so called revolutionists. Although nothing major has happened in the near history doesn't make India immune to terrorist attacks. In fact India is one of the most likely places to be hit by a terrorist attack due to growing tensions with Pakistan and also the ISIS terrorist group. There is also a terrorist group named Indian Mujahidin which is rumoured to have been operating from within India. The worst two terror attacks concerning the Indian aviation industry were the hijacking of an Air India plane and taking it to Kandahar, Afghanistan and the other one being a Air India plane blown to pieces when it was on route to India from Canada. Safety and aviation security go hand in hand and no passenger is going to feel safe unless they know their security is in capable hands. India is on a

development streak and most of the outdated security equipments are being replaced. But this leaves the security somewhat vulnerable until all the revised systems are in place. (Aviationwatchindia.com, 2014)

- Safety ratings

Although flying in India is considered to be quite safe a chain of recent safety lapses have left it vulnerable to criticism. The FAA recently downgraded Indian aviation safety ratings citing a lack of safety oversight as a reason. India has now been downgraded to safety rating 2 from the previous safety rating 1. It's still in reviews and it would probably get back to rating 1 but it still has made the passengers feel nervous about flying in and via India. There is going to be heightened surveillance and lot of regulatory changes in the coming days which may or may not affect the industry in a positive way. (TRIPATHY, 2014)

Figure 21. The Indian advantage



(Source: India Briefing, 2014)

Chapter 3: Consumer behaviour

*Ours is the commencement of a flying age,
and I am happy to have popped into existence
at a period so interesting.*

— **Amelia Earhart, 1928.**

3.1 Consumer Behaviour

“Consumer Behaviour is the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires.”

(Solomon, Bamossy et al. 2006, p6).

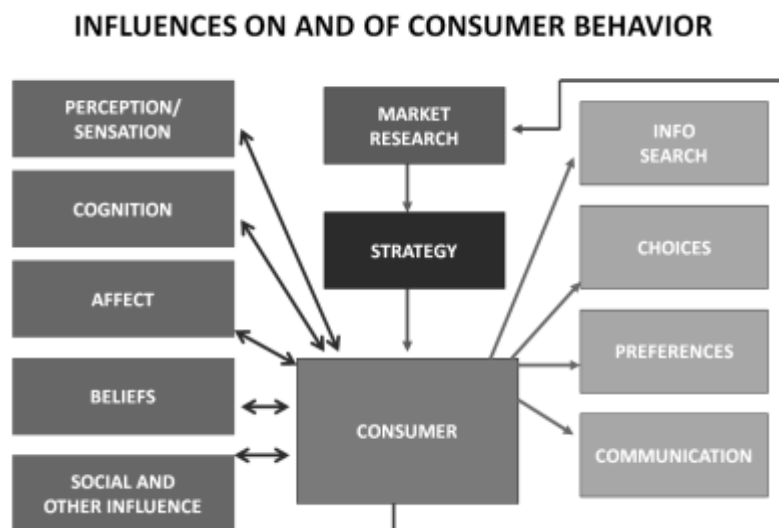
“The behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs”. (Schiffman AND Kanuk 2007)

It was around three hundred years ago when the concept of consumer behaviour and its effect on a product was discovered. The problem with those early studies were based only on the act of buying a product and nothing else. (Loudon AND Della Bitta 1993). The major breakthrough in this area was the introduction of Utility theory which says that consumers are viewed as rational decision makers and make choices based on the expected outcomes of their decisions. (Schiffman and Kanuk 2007, Zinkhan 1992). The modern research on this topic considers a lot of different factors influencing the consumer, and acknowledges a broad range of consumption activities beyond purchasing such as information search, recognition, evaluation of alternatives, consumption and disposal.

Consumer behaviour is an important factor in any marketing activity. It is an integrated science which includes parts of economics, marketing, psychology and

sociology (Huang, 2009). Consumer behaviour can in some cases be straightforward and simple when the risk involved is rather low and consumers can easily evaluate alternatives. (Lovelock et al., 2008). But when choosing an airline decisions are quite complex and linked to trade-offs. The recent developments in Information and communication technology has changed the way airlines market and present themselves to the customers. The customers have an array of information at their disposal and are truly empowered in terms of decision making.

Figure 22. Influences on and of Consumer Behaviour



(Source: Lovelock 2008)

Five major approaches based on psychology can be defined which present alternate models of a consumer, and emphasise the need to examine quite different variables (Foxall 1990), they are:

- *Economic*

Regards a consumer as entirely rational and self interested, making decisions based upon the ability to maximise utility whilst expending the minimum effort. To be economic a consumer has to be aware of all the available options, be capable of correctly rating each alternative and be available to select the optimum course of action (Schiffman and Kanuk 2007). This theory is rather not that

applicable these days as a lot of other factors influence a consumers behaviour and sometimes it's impossible to be rational with the choices. People often go with just a satisfactory product in order to fulfil some other purpose.

- *Psychodynamic*

A psychodynamic view states that behaviour is subject to biological influence through 'instinctive forces' or 'drives' which act outside of conscious thought (Arnold, Robertson et al. 1991). The Id, the Ego and the Superego could be identified as some of those forces. Here, behaviour is determined by biological drives, rather than individual cognition, or environmental stimuli.

- *Behaviourist*

This study states that behaviour can be learned by external events and thus largely discredited the Psychodynamic approach that predominant at the moment. (Watson and Rayner 1920) It states that behaviour is explained by external events, and that all things that organisms do, including actions, thoughts and feelings can be regarded as behaviours.

- *Cognitive*

The cognitive approach ascribes observed action (behaviour) to intrapersonal cognition and the individual is viewed as an 'information processor' (Ribeaux and Poppleton 1978). A behaviour is influenced by the environment and social experience, with consumers actively seeking and receiving environmental and social stimuli as informational inputs aiding internal decision making (Stewart 1994).

- *Humanistic*

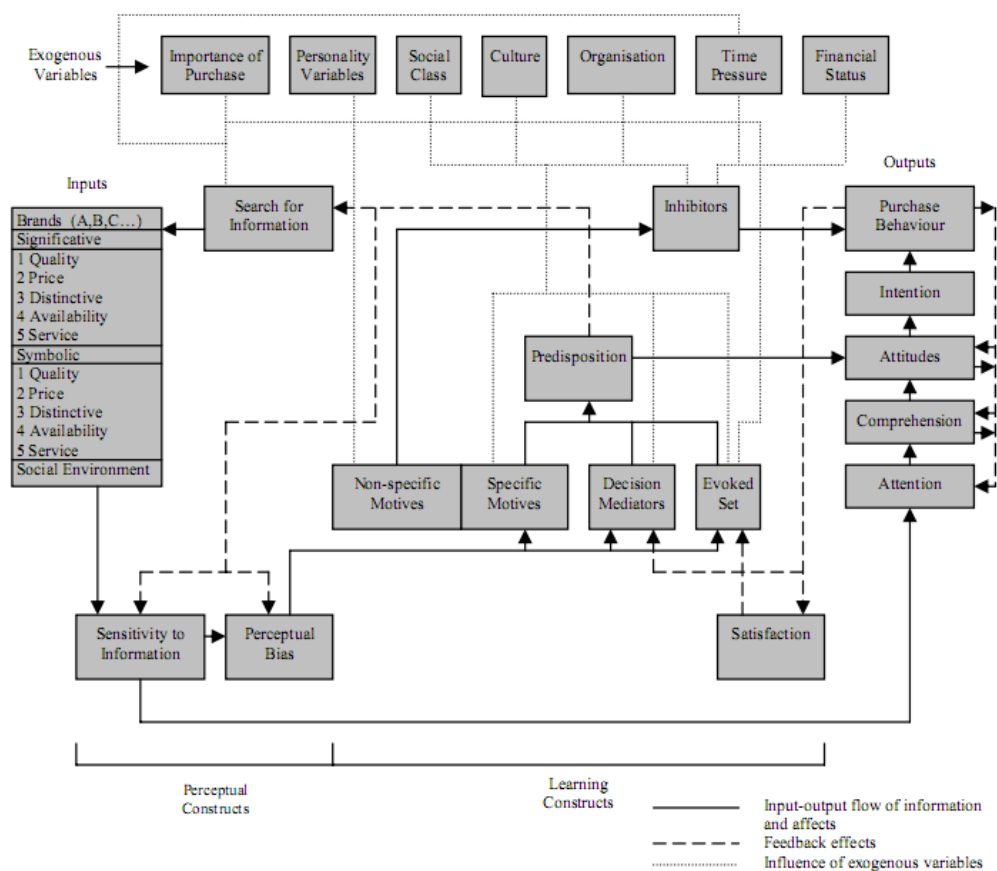
There are a lot of academicians highlighting limitations of the Cognitive approach and publishing new research trying to further understand the specific aspects of behaviour which can be described as Humanistic approaches as they seek to explore concepts introspective to the individual consumer rather than describe

generic processes. (Stewart 1994). This approach seriously considers the emotional side of a decision making action. It also considers the effects of egoism and altruism on consumer behaviours.

3.2 The Theory of Buyer Behaviour

The ‘Theory of Buyer Behaviour’ or Howard and Sheth Model was introduced in 1969. It's about “a sophisticated integration of the various social, psychological and marketing influences on consumer choice into a coherent sequence of information processing”. (Howard and Sheth, 1969). The authors constructed a comprehensive model that could be used to analyse a wide range of purchasing scenarios, and as such the term ‘buyer’ was preferred over ‘consumer’ so as to not exclude commercial purchases (Loudon and Della Bitta 1993).

Figure 23. The theory of buyer behaviour



(Source: Howard and Sheth 1969, Loudon and Della Bitta 1993)

Input variables: the environmental stimuli that the consumer is subjected to, and is communicated from a variety of sources. According to this model, Significant stimuli are actual elements of products and brands that the buyer confronts (Loudon and Della Bitta 1993), while symbolic stimuli refers to the representations of products and brands as constructed by marketers through advertising and act on the consumer indirectly (Foxall 1990). Social stimuli include the influence of family and other peer and reference groups. Here the Hypothetical Constructs can be classified in two categories: The Perceptual constructs, and The Learning constructs.

The Perceptual constructs:

- Sensitivity to information – the degree to which the buyer controls the flow of stimulus information.
- Perceptual bias – distortion or alteration of the information received due to the consumers fitting the new information into his or her existing mental set.
- Search for information – the active seeking of information on consumption choices.

The learning constructs:

- Motive – described as either general or specific goals impelling action.
- Evoked Set – the consumers' assessment of the ability of the consumption choices that are under active consideration to satisfy his or her goals.
- Decision mediators – the buyer's mental rules or heuristics for assessing purchase alternatives.
- Predispositions – a preference toward brands in the evoked set expressed as an attitude toward them.
- Inhibitors – environmental forces such as limited resources (e.g. time or financial) which restrain the consumption choice.
- Satisfaction – represents a feedback mechanism from post-purchase reflection used to inform subsequent decisions.

The learning process influences the extent to which the consumer considers their future purchases, and seeks for new information. Based on the consumers knowledge their decision making differs according to the strength of the attitude toward the available brands. If they don't have a particular attitude towards a product they engage in a problem solving process and seek for information in order to make an informed decision. Here they will decide whether to buy a product or let it go.

Exogenous variables outlines a number of external variables that can significantly influence decisions. According to Howard and Sheth these exogenous variables contained the history of the buyer up to the beginning of the period of observation.

The five output variables on the right of the model represent the buyers' response, and follow the progressive steps to purchase:

- Attention – the magnitude of the buyer's information intake.
- Comprehension – the processed and understood information that is used.
- Attitudes – the buyer's evaluation of a particular brand's potential to satisfy the purchase motives.
- Intention – the buyer's forecast of which product they will buy.
- Purchase Behaviour – the actual purchase behaviour, which reflects the buyer's predisposition to buy as modified by any inhibitors (Loudon and Della Bitta 1993).

3.3 Consumer Decision Model

Also known as the Engel-Blackwell-Miniard Model was developed in 1968 by Engel, Kollat, and Blackwell. It's quite similar to the Theory of Buyer Behaviour by Howard and Sheth 1969 however the structure and relationship between the variables is a little different. The model revolves around a seven point decision process:

1. Need recognition,
2. internal search of information,
3. external search of information,
4. evaluation of alternatives,
5. purchase,
6. post purchase reflection,
7. divestment.

These decisions are actually influenced by two main factors.

- Firstly stimuli is processed by the consumer with respect to the previous experiences, and
- secondly, external variables in the form of either environmental influences or individual differences

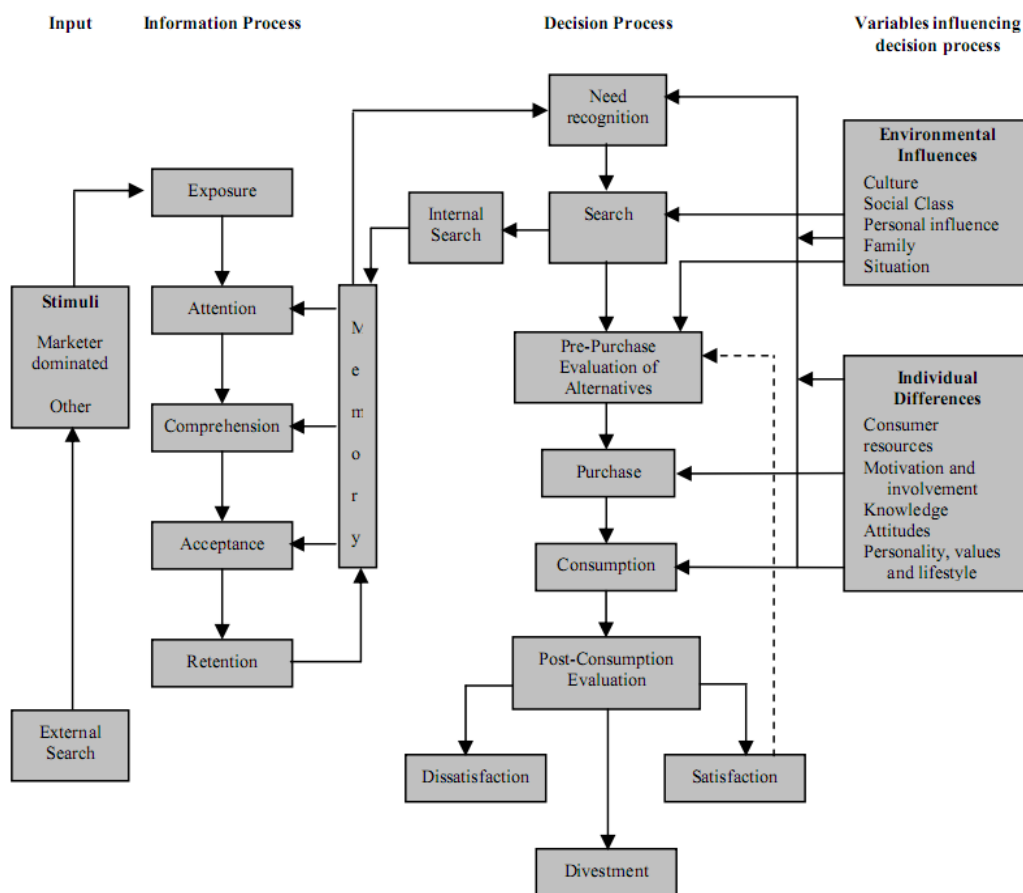
The environmental influences are: Culture; social class; personal influence; family and situation. While the individual influences are: Consumer resource; motivation and involvement; knowledge; attitudes; personality; values and lifestyle (Blackwell,Miniard et al. 2001). The depth of information will depend on the nature of problem solving, and could be extensive external information searches or simple internal search of previous behaviour. Information is said to pass through five stages of processing before use, namely: exposure, attention, comprehension, acceptance and retention (Blackwell,Miniard et al. 2001).

The process of evaluation is influenced by both the environmental and individual variables. Intention is depicted as the direct antecedent to purchase and Inhibitors are not depicted as mediating between intentions and purchase, however the environmental and individual influences are again said to act on purchase. Situation is listed as an environmental influence. (VanTonder 2003).

Consumption is followed by post-consumption evaluation which serves a feedback function into future external searches and belief formation. Divestment

is depicted as the final stage in the consumption process acknowledging that the product purchased is likely to be disposed of at some point post consumption.

Figure 24. Consumer decision model



(Source: Blackwell, Miniard et al. 2001)

Chapter 4: Methodology

Gliders, sailplanes, they are wonderful flying machines.

It's the closest you can come to being a bird.

— Neil Armstrong

The following methodological part seeks to relate the theoretical part to the practical part and close the gap between the two. This chapter identifies specific theoretical sections based on which the experimental research is designed.

4.1 Problem definition

Here we will try to find out which are the factors which affect the buying behaviour of Indian consumers regarding the aviation industry. The literature review which earlier discussed about the Indian aviation industry, consumer behaviour patterns, the history of the worldwide and Indian aviation industry served as the basic foundation for the research part to progress. From here on we will do an in depth analysis of the methodology used, type of survey, questionnaire design, development of hypothesis and analysis of results and findings..

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4.2 Hypothesis Development:

According to the literature review several hypothesis were thought about and four were picked as the final ones. During the hypothesis development different areas were considered such as demographics, product attributes, buying preferences, information sources etc. Indian customer behaviour was considered as the base of every hypothesis and the hypothesis was modified so as to suit the Indian consumer behaviour.

1st Hypothesis:

Hypothesis- In the light of recent terror attacks and flight disappearances, the consumers will rate safety as the most important attribute.

Null hypothesis- Every attribute will be perceived equally important by the consumer.

With the year 2014 being the worst for civil aviation it wasn't too hard to assume that the passengers will rate safety as the topmost priority. Air accidents such as Air Algérie Flight 5017(MD83-Crash-reaosns unknown), Ethiopian Airlines Flight 702(B767-Hijack), Malaysia Airlines flight 17(B777-Crash-hit over Ukraine), Malaysia Airlines 370(B777-disappeared-not yet found), Olsberg mid-air collision, TransAsia Airways Flight 222(Turboprop-crash-bad weather) etc and the latest being the disappearance of an AirAsia Singapore bound flight makes people more and more cautious about the safety of the airline they are flying in. (Ranter, 2015) Also the fact that U.S. FAA(Federal Aviation Authority) downgraded India's aviation rating citing the lack of security oversight makes this even worse. While the decision is still being reviewed it does make an average Indian passenger a little nervous about flying. Although it doesn't affect the domestic market in a direct way it does made the shares fall steeply for the Indian carriers. (Tripathy, 2014)

According to ICAO(International civil aviation organization) total number of plane accidents in 2013 was 90 worldwide out of which 9 were fatal. And according to CAA(Civil Aviation Authority) and their Global fatal accident review there have been 0.6 fatal accidents per million flights between 2002-2011. Number of accidents per million departures in 2013 were 2.8 which was quite low from the previous years. Aviation is considered the safest mode of transport followed by bus and rail travel.

Before these safety concerns were even remotely important, Indians preferred the prices and connectivity. If these incidents wouldn't have happened prices and connectivity would be the most preferred choice, so it's safe to assume those two will follow closely as an important factor after safety.

Hypothesis 2:

Hypothesis: An average Indian consumer considers only a single reliable information source before buying a ticket, not engaging in an elaborate information search.

Null Hypothesis: An Indian customer often considers multiple information sources engaging in a elaborate information search.

This hypothesis is supposed to find out which sources were actually used by the consumers in making a decision and whether they chose to consult multiple sources or a single one. India still lacks behind in the use of Internet and mobile apps as compared to other developed countries and most of the people who want to buy a ticket rely on suggestions given to them by a travel agent or a known person. Therefore they don't engage themselves in a detailed or elaborate information search and go for whatever is suggested as the best option by the agents or a relative or even a friend.

Hypothesis 3:

Hypothesis: Price reductions and promotions are going to positively influence a consumer in buying a flight ticket.

Null hypothesis: Price reductions and promotions will not play an important part in consumer buying preferences.

A common Indian customer waits for a promotion or a price reduction to actually prefer buying a flight ticket over a rail or bus ticket. Generally the price of a flight ticket from Udaipur city to Delhi would cost somewhere from around 7K to 10K INR(130Euros) and a train ticket for a second AC class would be around 1000 to 1500INR(20 Euros). Bus is even cheaper than that. (Current prices, makemytrip.com, yatra.com) Although a flight takes somewhere between 1.5- 2 hours and a train or bus might take around 10-12 hours. So unless its urgent, a consumer is highly unlikely to buy a flight ticket. But during promotions the price falls down to as low as 2K INR and that's really a affordable price for the people who want to fly and avoid the 12 hour journey.

Hypothesis 4:

Hypothesis: In India, even though passengers use online channels for information search, offline distribution channels are selected for the booking process due to privacy and other concerns.

Null hypothesis: People use online channels for information search as well as for booking purposes.

I assumed this statement in light of my personal experience with how the Indian people carry on with their decision process. They do search online for travel tips and even consider the websites the most convenient way to purchase tickets, still they buy tickets from the agents or ticket counters in order to avoid uncertainty. When booking through a known agent the customer knows that his personal information will stay safe and if anything goes wrong with the booking the agent will fix it or in some cases refund the money as well.

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4.3 Primary research

The primary aim of the research was to find the factors that influence the customer buying behaviour in the Indian civil aviation market. A quantitative analysis method was used as the data was to be collected from a large sample and the opinions had to be compiled in a structured so as to obtain hard facts and statistics in a structured manner. We used the questionnaire survey as it was the easiest way to collect the large amount of data we were dealing with and this method made it much easier for me to compile all of it. In the beginning I started with personally handing over the questionnaires to each individual present at the airport so as to make sure the accuracy of the answers and to clear any confusion regarding the questionnaire. For this I used an Intercept or en-route survey method so as to get the questionnaires filled at the airport itself by the flying customers, most of the responses were collected in this manner. After a while it got clear to me that the questionnaire was simple and straight forward enough for me to be conducting group administered questionnaires(each of the respondents was given the survey and told to complete it at the same time in the same room) and something like a drop-off survey(in this case I had to drop-off a few

questionnaires at the airport tourist centre and collected them later in the day). The questionnaire method definitely provided me with high response rates, transparency, saved money and a chance to make a personal contact although it did lack in some areas such as flexibility, privacy concerns, fair amount of inaccuracy in a few responses and some language issues as some people weren't able to read English properly. The best part was the data collected was quantifiable and easy to express in numbers. To enable respondents to fill in the questionnaire themselves and to keep the response rate high it is vital to keep the questionnaire simple, open-ended questions are to be avoided and in the ideal case respondents complete the survey by ticking boxes (Veal, 2006). The survey was kept simple and short which saved me time as well as enabled me to collect multiple responses at the same time.

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4.4 Designing the questionnaire

The questionnaire was designed keeping in mind the minutest of details I came across while conducting my literature review. Some other studies conducted with the similar interest in the field of passenger behaviour and passenger's perception were also taken into account such as by Chen (2008), Huang (2009), Pakdil & Aydin (2007), Gilbert & Wong (2002), Robertson and Wu (2005). A few other guidelines on forming questionnaires were also used such as Crawford, I. M. (1990), Sudman, S. and Bradburn, N. M. (1973) and Steve Gould(2011).

The questionnaire was easy to understand and could be filled up in approximately 4minutes. A lot of problems with the questionnaire were found after the sampling survey done with 7 participants and those changes were incorporated during the final study, which we will discuss later in this chapter. The survey was conducted in English language(Hindi couldn't be used as it is almost impossible to translate a few things from English which were vital to the questionnaire). The first draft and the final survey can be found in the Appendix section of this report.

The questionnaire was divided into 4 parts namely Personal Information section, Product attributes, Booking methods used, Information sources consulted and preferences of the consumers. The different sections are discussed in detail below.

The questionnaire started with the following introduction:

"Dear participant,

The following survey/questionnaire is part of a research project conducted for the completion of graduation thesis for master program International Business at the Vysoká škola ekonomická v Praze | VŠE.

The aim of this research is to explore the factors which influence the buying behaviour of consumers with respect to the Indian aviation industry.

The questionnaires will be filled out anonymously and your data will be kept and used only for the purpose of this research project. No data will be passed on to a third party.

Thank you for taking part in this research project!

*Questionnaire has to be filled only by the residents of India, the participant should be employed and should be travelling or have had travelled on an Indian air carrier before."

Section A: Personal Information:

The first section consisted of general information about the interviewee. Stated with the sex, male or female to find out if there was a difference of opinions amongst the ladies and the gentlemen. next one was about the age groups which started from 21 as we assumed out survey takers will be employed and will be more experienced with air travel. The groups were from 21 to 30, 31 to 40, 41 to 50 and 51 and above. In the sampling part the departure was asked but was removed later on as all the forms were filled by people who were departing from Udaipur, Rajasthan, India. The 3rd field talked about the destination and if it was a direct or indirect flight. Class of travel was also inquired about and three most common classes were kept as options namely Economy, First and Business. The purpose of the trip was asked that if it was a business trip or a pleasure trip or if the trip was a part of a package or tour. Finally we asked about the airlines.

Section B: Product Attributes:

This section was designed to find out the importance given to various airline attributes by the passengers. They were asked to point out which attribute they thought were important in their decision making process. A Likert scale consisting of five points from 'Very Important' to 'Not important at all' was used and was given points from 5 to 1 respectively. Lots of different attributes were put up in the table which I realized might be important for a passengers consideration. The following 21 attributes were used some of which might also be related in some way:

- Cheap fares
- Online check-in facility
- Airline reputation
- Safety record
- Punctuality
- In-flight entertainment
- Food/drinks quality
- Magazines and shopping
- Baggage allowance
- Internet on-board
- On-time arrival
- Staff friendliness
- Non-stop flights
- Flexible transfer times
- E-booking
- Special service requests(meal, wheelchair, seat selection)
- Flight timings
- Frequent flier programs
- Easy airport check-in
- Seating comfort
- Mobile application

I also added a few more questions like which attribute they ranked the most important and which attribute they wanted the airline to improve on most. They were supposed to give only one answer to each of them. This was done in order to determine the first and second most important attributes for the consumer to make a decision.

Section C: Booking method used:

The third section consisted of trying to find about the booking method the passengers used. They were given a few choices and asked to pick one. This one was to find out the most widely used method of buying a ticket. The following options were given:

- Airline website
- Travel agent
- Other travel website(makemytrip, yatra.com)
- Telephone booking
- Airline shop
- At the airport counter
- Used miles online
- Someone else booked it for me

They were also asked which method they considered the most convenient and which method they actually preferred.

Section D: Information sources and preferences:

Last section was about the information sources the passengers used for the research before buying a ticket. At least ten choices were given to them which are probably the most popular information sources available in India. They were allowed to tick more than one option. These were the following choices:

- Print media
- Advertisements
- Own experience

- Online(Websites, airline review(Skytrax, Aviation forum etc))
- Recommendations from someone
- Airline brochure and travel catalogues
- At the Airport
- No sources considered
- Someone else booked the ticket for me
- Totally trusted the travel agent's suggestions

Then they were asked about why they chose to fly over the other modes of transport as flying is quite expensive as compared to other means of transport in India. People generally prefer trains or buses to travel domestically. Certain choices were given and they were asked to mark one. A few of the choices had the same meaning albeit the usage of words. These were the choices:

- Convenience
- Prestige and status symbol
- Saves time
- Comfort
- Connects all the large and important cities
- Flying makes me feel important
- I have enough money
- I like flying

I also asked in the questionnaire one thing at which the airlines are worse than the other modes of transport. I considered this question as a country specific issue and wanted to find out what the other modes of transport offer which the airlines don't. We also asked them about their favourite airline and gave them a choice of the most significant airlines in India such as Air India, Jet Airways, Indigo, Spice jet and also offered a category others if they preferred an airline apart from these major four. And the final question was asking them if they waited to purchase the tickets until there was a discount or if they made their purchasing decision according to the promotions.

4.5 Questionnaire development, Test run, and survey setting:

The survey was conducted at Maharana Pratap International Airport, Udaipur, Rajasthan, India as this is my home town and was the most convenient location for carrying out a study for me. Also Udaipur airport offers connectivity to all the major cities directly or indirectly including New Delhi, Bengaluru, Mumbai etc. Survey was carried out during a span of 2 days during the month of July. I was allowed just 2 days to carry out my study as per the security regulations at the airport. Also the Independence day was around the corner and they had really stricter regulations in place a month in advance due to terror threats. I looked for the major flights and an age group of 21 and above to carry out the survey. I had a little support from the airport staff to carry out my study but it wasn't a major influence. I randomly selected around 5-7 passengers on the first day to test run my survey and was open to any kind of suggestion and criticism.

I learnt quite a few things which did not go down well with the survey takers. In my first draft I forgot to mention how many choices they were supposed to tick in individual questions. So I mentioned that in the final draft. Also I had a question which asked to choose between two airlines given their specific attributes. I had to remove that question as it wasn't an appropriate question for the study. Also the departure and comments section was removed. As the departure place was Udaipur in every case and I did not need a comment section as I was present during filling out of almost all of the questionnaires. The first draft and the final questionnaire are attached as annexure in this thesis.

The survey was taken on a voluntary basis and was handed out in the waiting room outside the security check. It was mostly filled out by the people who were quite early at the airport (Indian people generally prefer to keep an hour or two extra as a caution) and were waiting for a call to get to the security check. The questionnaire were collected back once they were done or when they were called for the security check if they needed more time to think. It was filled individually except in the cases where two or more people made a buying decision together, in that case they filled a single questionnaire.

Chapter 5: Analysis & Interpretation of data

Can the magic of flight ever be carried by words? I think not.

— *Michael Parfit, 2000*

Data collection was carried out at Maharana Pratap International Airport, Dabok, Udaipur, Rajasthan, India. I used Google documents, IBM SPSS Statistics and IBM SPSS Data collection(both 21 day trial editions) to organize the data, ensure the accuracy of the data, analyzing frequencies and probabilities etc. To make reviewing easier the data has been presented with the use of simple graphs and tables. In this chapter we analyse the results and interpret what they mean for the airline industry and the passengers now and in the future.

5.1 General information Analysis:

In the survey takers exactly 49% were male, 39% were female and the remaining 12% did not want to disclose this information. In the age group, most of the respondents were from the age group of 21-31 which was 43% followed by 25% from the age group 31-40 and 16% each from the age groups 41-50 and 51 & above which shows that most of the flyers are from a younger generation. There were a lot of different destinations which they were travelling to such as New Delhi, Mumbai, Goa, Hyderabad, Jaipur, Srinagar, Bangalore, Chennai etc with no destination having any clear majority of travellers. 80% of the respondents were flying Economy class followed by 9% in First, 7% in Business and the remaining 4% who didn't want to share this info. The passengers were mostly holiday travellers consisting of 61% of the total followed by business travellers(29%) and the least of them travelling as part of a tour group(10%). The airlines they were travelling on were Jet Airways(27%), Indigo(14%), Air India(25%), Spice Jet(9%) and others(25%) which shows that a lot of people do prefer Jet Airways as opposed to other airlines which makes it the biggest aviation player in India.

5.2 Product attributes: Hypothesis 1 analysis and interpretation:

In the light of recent terror attacks and flight disappearances, the consumers will rate safety as the most important attribute.

Customers were asked to rate 21 different attributes connected to the airline industry. A Likert scale was used and the answers were given values from 1 to 5 from least important to very important. A count was done and a mean was taken. I present the mean for all the attributes in the table below in the same order as the questionnaire:

Table 1. Product attributes importance

	Attribute	Mean
1.	Cheap fares	4.27
2.	Online check-in facility	4.19
3.	Airline reputation	4.43
4.	Safety record	4.68
5.	Punctuality	4.63
6.	In-flight entertainment	3.94
7.	Food/drinks quality	4.17
8.	Magazines and shopping	3.46
9.	Baggage allowance	3.80
10.	Internet on-board	3.98
11.	On-time arrival	4.30
12.	Staff friendliness	4.19
13.	Non-stop flights	3.88
14.	Flexible transfer times	4.00
15.	E-booking	4.29
16.	Special service requests(meal, wheelchair, seat selection)	3.99
17.	Flight timings	4.57
18.	Frequent flier programs	3.34

19.	Easy airport check-in	4.09
20.	Seating comfort	4.49
21.	Mobile application	4.16

Here the safety attribute has the maximum mean of 4.68 which proves our hypothesis to be correct. Also we asked them what they considered to be the most important attribute while deciding for an airline and 39% answered safety followed by 27% preferring a cheap fare and the rest of the people preferred on line check in facilities, punctuality, flight timing etc as shown in the figure below (N=no. of respondents). When asked about on which attribute the airlines should improve on the most the respondents gave maximum preference to Safety, punctuality and flight timings. Safety is of supreme concern for any flyer these days specially after the terror attacks of 2001, no one wants to compromise on this factor. We also asked the customers to identify one attribute on which the airlines should work on to make their experience much better. Around 15% said the airlines should get more punctual, 15% said they should revise their timings to be more convenient and reduce layover times or introduce more nonstop flights. Other major attributes they thought airline should work on were food, in-flight entertainment, online check in, security etc. Some people said nothing needed to be improved as such as long as the prices are kept low.

Attribute importance

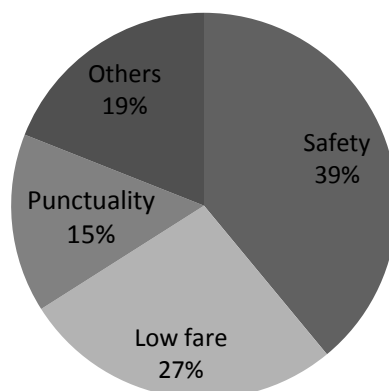


Figure 25. Most important attributes (N=65)

A mean range of 1.34 has been found, the highest mean being 4.68 and lowest being 3.34 which shows passengers highly distinguish between different attributes. According to the piecemeal approach by Kozak & Decrop (2009) for product, placing different weights on attributes implies that consumers evaluate a product not in a holistic way but distinguish between product components. The interesting thing to note here was very few of the attributes were marked as not important at all and most of the attributes were marked as very important or at least important. An Indian customer is a very demanding one and he/she wants the maximum benefit out of minimum investment. Everything is at least a little important for them.

The five highly ranked attributes were Safety record, punctuality, flight timings, seating comfort and airline reputation. The least important attributes were frequent flier programs, magazines & onboard shopping, baggage allowance, non-stop flights and internet on-board. Safety for obvious reasons as people are still scared of flying. Punctuality is a necessity specially for airlines working in India as they are generally plagued with late arrivals and departures. Surprisingly people wanted a good seating comfort and cared a lot about the reputation of the airline. People clearly didn't care about the loyalty programs that much as it's a concept still in development in India and most of the fliers are occasional fliers as opposed to being a regular flier which is a requirement to have great loyalty benefits. In domestic aviation people do not care about baggage allowance as they can find almost everything they require at almost everywhere in India so they don't see the need to carry extra baggage. Internet on-board was ranked low as most of the airline still don't have any internet and people don't know if they actually need it or not.

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5.3 Information sources: Hypothesis 2 analysis and interpretation:

An average Indian consumer considers only a single reliable information source before buying a ticket, not engaging in an elaborate information search.

According to the question 'Information sources considered while deciding the purchase' in Section C of the questionnaire, the maximum consumers look at only a single information source before making a buying decision. An average Indian customer stays away from an elaborate or detailed information search and instead trusts the travel agent or a single sources' advice or just usually go with their gut feeling. Only 9% of the customers actually consulted more than one information source for their buying decision. Other 91% looked at just a single source before actually buying a ticket. The major information source considered were travel review websites such as skytrax.com, aviation forum etc. A lot of people also stated that they went for their gut feeling which arose from their previous experiences which can't really be considered as an information source.

Information search

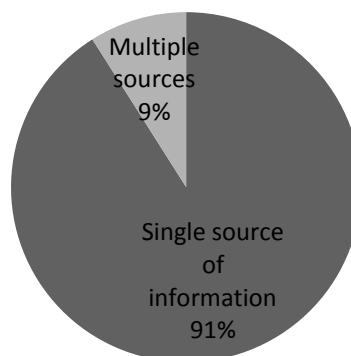


Figure 26. Information search(N=65)

Before the launch of the internet and e-commerce the best way to get a ticket was through a booking agent and that thinking still persists. So people trust an agent's advice on which airlines is best for them. Also the Indian community is based on relationships and trust so if someone suggests another an airline to travel on he or she won't even give it a second thought before buying a ticket. In today's fast paced world nobody has time to look for information and the customers generally prefer looking at just one source such as travel review websites or travel booking websites in order to make a decision.

5.4 Price and Promotions: Hypothesis 3 analysis and interpretation:

Price reductions and promotions are going to positively influence a consumer in buying a flight ticket.

I asked the passengers if they considered the price cuts or promotions before buying a airline ticket or if they waited for such an offer before buying a ticket. 60% said that they did wait for the promotional fares to be up, 33% said they did not care about the promotional prices but instead bought tickets according to the requirements and the remaining 7% said they were not sure if that influenced them or not(refer to fig. 27). Also the prices scored a mean of 4.27 in the analysis of the first hypothesis which is quite above an average value.

Price and promotions

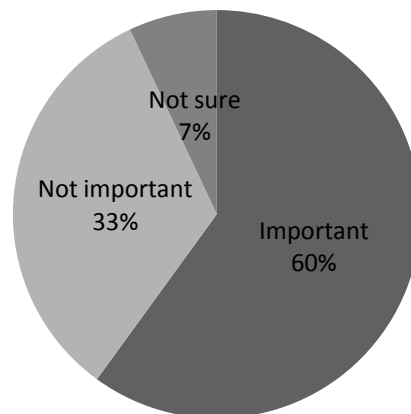


Figure 27. Price and promotions(N=65)

Indian middle class is the biggest in the world and that means these people will be very careful about spending their hard earned money. The net disposable income is also very low in India. As a result people still wait for festival times and special promotional fares in order to make a purchase. Money plays a big factor in making a decision. Sometimes people even buy a flight ticket based on price reduction rather than requirement. Also in recent times airlines in India have started imposing heavy price slashing strategies in order to attract customers towards the airlines and build a solid brand image.

5.5 Booking method: Hypothesis 4 analysis and interpretation:

In India, even though passengers use online channels for information search, offline distribution channels are selected for the booking process due to privacy and other concerns.

People were asked what booking method they actually used to book their tickets. As shown in fig. 28, 45% of people actually said that they booked through the airline website but even most of them consulted a travel agent or somehow ensured a safety backup before buying the ticket (buying from a booking website which had an office in the city so as to get rid of any uncertainty). Another 55% percent of the passengers used methods such as through travel agent, on the airline window at the airport, at the airline office etc which made sure that they were present during the transaction and they received a printed receipt or ticket. Although in our next question 'Which of the above methods do you consider the most convenient', 68% of the passengers said that airline websites are the most convenient way to buy a airline ticket. Only 23% said that they thought going to a travel agent was the most convenient method. The remaining 9% were not sure as they didn't have any idea about the other options and were unable to compare the different methods of booking. (as shown in fig.29, N=no. of respondents)

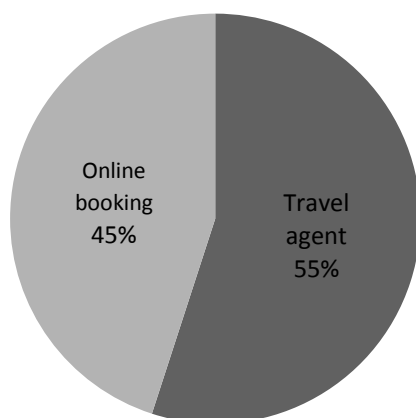


Figure 28. Booking method used(N=65)

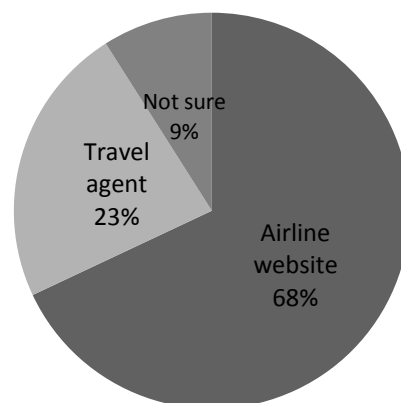


Figure 29. Perceived convenience(N=65)

There is a lack of information among people regarding the use of websites and how online payments are processed which makes them uncertain about buying a ticket online. Generally they go for a safer approach as going to a known travel agent will make sure that their personal information is kept a secret and the agent can help them if any trouble arises. The internet using households are increasing day by day in India and that means people are referring to the internet to gain information about the airlines but they still do not prefer that to make a purchase. I have personally seen people to consult prices on makemytrip.com or other travel sites and then calling their booking agent to book that same flight. It costs a little more in the form of agent commission but seems like an Indian customer is ready to let go off a little money in order to ensure a secure and trustworthy purchase.

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5.6 Other information collected:

Out of curiosity, I also asked the customers what their favourite airline was and 31% said they liked Jet Airways, 35% liked Air India, 21% liked Indigo airline and the remaining 14% like Spice Jet(as shown below). What's interesting is none of the customers mentioned any other airline other than these four major carriers. This shows how much monopoly these big players have on the Indian civil aviation market. Although a lot of people were flying through different airlines but they still prefer the two big carriers Jet and Air India. Indigo and SpiceJet are now rising carriers and in coming time they might become the preferred airlines, especially when Indigo receives its consignment of 250 Airbus aircrafts(largest ever order in history of aviation).

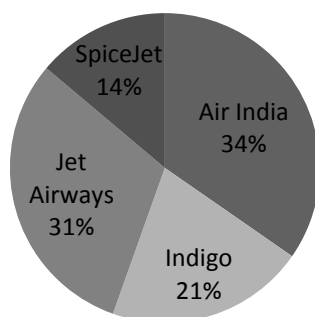


Figure 30. Most preferred airline(N=65)

Another question asked out of curiosity was why the customers preferred aviation over other forms of transport. Although we know aviation is more convenient and faster than other means we still received some other interesting answers. Some people said it was a status symbol and they travelled on airplanes just for self prestige reasons. Some people said they loved flying and it was interesting for them to be in an airplane flying 36000ft above the ground. Some even said that they preferred flying as the carriers connected all the major business hubs. Of course these people consist of only a mere 10% of the total population. Other 90% still travel because flying saves them time and its very convenient.

I also tried to find out ' One thing where airlines are worse than or lose to other modes of transport' and the maximum 56% of people said the connectivity was the biggest issue. India is a huge country and there are not many airports, so a lot of times its impossible to get any connection to where they want to travel to. They anyways have to travel in a bus or a train to reach their exact location and in this case they would just avoid flying all together so as to not make the travelling too complicated. 17% of passengers said that the travel time to the airport was the deterring factor in going for an airline ticket. Most of the airports are generally located outside the cities and takes a major chunk of their time to travel to and get back from the airports. This is a major annoyance as they have to deal with a lots of issues such as getting late or early for a flight, not getting a parking, finding traffic on the way etc. The remaining people said that they thought that airlines are worse in the terms of food, waiting times, security threats etc.

6. Implications & suggestions for the India based Air carriers

- Focus a lot on ensuring the safety of the passengers and bring back the rating 1 from FAA regarding aviation safety.
- Improve on the food quality in general.
- Improving on-time performance so that the passengers don't have to deal with any uncertainty regarding the arrival time.
- Making e-booking seamless and simple as most of the people do prefer booking online but don't do so as they don't trust the process enough. Make people aware of how it works and how it is beneficial for them to make an online purchase.
- Try to achieve a higher rating on the customer review websites by improving the services overall. Reviews seemed to be very important for Indian customers with regards to a buying decision.
- Come up with new promotions and loyalty programs as this will definitely boost the sales.
- Partner up with local travel agents and convince them to use your booking system instead to connect the customer directly to your company and keep an eye on their experience while purchasing a ticket.
- Learn from the airlines which are currently doing better than the others and incorporate changes accordingly.
- Try on improving the communication and advertising strategies as people still have to reach out for information. Let the information reach them.
- Try on improving connectivity in general and wherever air travel is not present partner up with bus companies or Indian railways to make those destinations accessible for the passengers. Make it a seamless process and include the bus/train ticket with the airline ticket taking an example from Deutsche Bahn which runs a train in Germany but also runs buses where they have no rail connection as well as partner with different bus companies to make it more convenient for the passengers.

7. Conclusion

This survey outlines the major factors which impact a customers buying decision and a few very important insights were obtained from this study. This study clearly showed that the airlines need to continuously change and adapt to the ever growing and evolving market in order to maintain a demand amongst the consumers. There are a lot of internal and external factors that influence the airline industry everyday such as new laws and regulations, fuel costs, accidents, strikes etc. The competitive advantages can be easily lost if new opportunities aren't realized and the product is not continually evolved or developed. The study on consumer behaviour and decision making were considered and it made me understand how complicated managing the customer relations or marketing would be. Analyzing all the airlines based in India gave me an insight on where they are going wrong and what has to be improved in order to be more efficient. Airlines need to learn from the mistakes or successes of their counterparts instead of going for an all out war in order to keep attracting more customers. Any airline that needs to be successful has to be innovative, intuitive and ready to adapt.

In today's fast paced and competitive world no one is a clear winner and those who are on top know how to stay there by building strong customer relationships. The emergence of many airlines public and private have made this market very competitive and congested. And then came the low-cost airlines which are stealing customers from high class airlines only on the basis of price. The only way to fight that is to follow a consumer based strategy for aviation companies which focuses on customer needs and creating value for the special customers. Different customers have different needs. The airlines need to stop following the old trend and they need to innovate and invest heavily on market research. Differentiation is the key here.

Survey findings were limited at times due to the limitations of collecting data as well as the sample size being quite small. Although the findings suggest that the

airlines need to be more consumer friendly which they currently are not. They need to act on the valuable feedback they receive and proactively work on fixing the problematic issues. The most obvious results were consumers preferring safety and punctuality over any other attribute and the most interesting findings were the use of only a single source before making a decision as well as the role of promotions and price cuts for the same. People still prefer going to the agent as opposed to booking online tickets as they perceive an agent as more reliable point of sale and they seem to have a trust issue with online payments. New marketing strategies and integrated information & distribution systems should be the point of focus for any airline operating in India currently. They need to build trust and make the customer feel that they care.

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Questionnaire (First Draft)

30.	Baggage allowance					
31.	Internet on-board					
32.	On-time arrival					
33.	Staff friendliness					
34.	Non-stop flights					
35.	Flexible transfer times					
36.	E-booking					
37.	Special service requests(meal, wheelchair, seat selection)					
38.	Flight timings					
39.	Frequent flier programs					
40.	Easy airport check-in					
41.	Seating comfort					
42.	Mobile application					

2. The most important attribute for you is:.....

3. One attribute on which the airlines should improve on most:.....

4. Which one would you pick?

Airline A		Airline B	
✓	Impeccable safety record	✓	Fare is half of airline A
✓	Great In-flight services	✓	Questionable safety record
✓	Friendly staff	✓	No In-flight service(buy everything)
✓	Maximum loyalty points	✓	Pay extra for check-in luggage

None of the above ☐

Booking method

5. How did you book your flight?

1.	Airline website	<input type="checkbox"/>
2.	Travel agent	<input type="checkbox"/>
3.	Other travel website(makemytrip, yatra.com)	<input type="checkbox"/>
4.	Telephone booking	<input type="checkbox"/>
5.	Airline shop	<input type="checkbox"/>
6.	At the airport	<input type="checkbox"/>
7.	You used your miles online	<input type="checkbox"/>
8.	Someone else booked it for you	<input type="checkbox"/>

6. Which of the above methods do you consider the most convenient?.....

Information sources and preferences

7. Information sources considered while deciding the purchase:

1.	Print media	<input type="checkbox"/>
2.	Advertisements	<input type="checkbox"/>
3.	Own experience	<input type="checkbox"/>
4.	Online(Websites, airline review(Skytrax, Aviation forum etc))	<input type="checkbox"/>
5.	Recommendations from someone	<input type="checkbox"/>
6.	Airline brochure and travel catalogues	<input type="checkbox"/>
7.	At the Airport	<input type="checkbox"/>
8.	No sources considered	<input type="checkbox"/>
9.	Someone else booked the ticket for you	<input type="checkbox"/>
10.	Totally trusted the travel agent's suggestions	<input type="checkbox"/>

8. I prefer flying to other modes of transport because:

1.	Convenience	<input type="checkbox"/>
2.	Prestige and status symbol	<input type="checkbox"/>
3.	Saves time	<input type="checkbox"/>
4.	Comfort	<input type="checkbox"/>
5.	Connects all the large and important cities	<input type="checkbox"/>
6.	Flying makes me feel important	<input type="checkbox"/>
7.	I have enough money	<input type="checkbox"/>
8.	I like flying	<input type="checkbox"/>

9. One thing where airlines are worse than or lose to other modes of transport (Connectivity, food, travel time to airport etc.):.....

10. Your favourite airlines:

Air India ☐ Jet airways ☐ Spice Jet ☐
Indigo Airlines ☐ Others, Please

specify:.....

11. Do you make travel plans according to the promotions, discount and price cuts done by the airline companies?:.....

Comments:.....

.....

Thank you for your time!

Questionnaire(Corrected)

Dear participant,

The following survey/questionnaire is part of a research project conducted for the completion of graduation thesis for master program International Business at the Vysoká škola ekonomická v Praze | VŠE.

The aim of this research is to explore the factors which influence the buying behaviour of consumers with respect to the Indian aviation industry.

The questionnaires will be filled out anonymously and your data will be kept and used only for the purpose of this research project. No data will be passed on to a third party.

Thank you for taking part in this research project!

*Questionnaire has to be filled only by the residents of India, the participant should be employed and should be travelling or have had travelled on an Indian air carrier before.

Personal Information:

- Sex:
- Age group: 21-30 ☐ 31-40 ☐ 41-50 ☐ 51 and above ☐
- Departure from:
- Destination: via
- Class of travel: First ☐ Economy ☐ Business ☐
- Trip type: Business ☐ Holiday ☐ Tour or package trip ☐
- Airlines:

Product attributes:

2. Which airline product attributes are most important to you while purchasing a ticket:

	Attribute	Very important	Important	Doesn't matter	Not that important	Not important at all
43.	Cheap fares					
44.	Online check-in facility					
45.	Airline reputation					
46.	Safety record					
47.	Punctuality					
48.	In-flight entertainment					
49.	Food/drinks quality					
50.	Magazines and shopping					
51.	Baggage allowance					
52.	Internet on-board					
53.	On-time arrival					
54.	Staff friendliness					
55.	Non-stop flights					

	Attribute	Very important	Important	Doesn't matter	Not that important	Not important at all
56.	Flexible transfer times					
57.	E-booking					
58.	Special service requests(meal, wheelchair, seat selection)					
59.	Flight timings					
60.	Frequent flier programs					
61.	Easy airport check-in					
62.	Seating comfort					
63.	Mobile application					

2. The most important attribute for you is:.....

3. One attribute on which the airlines should improve on most:.....

Booking method

4. How did you book your flight(pick one):

9.	Airline website	<input type="checkbox"/>
10.	Travel agent	<input type="checkbox"/>
11.	Other travel website(makemytrip, yatra.com)	<input type="checkbox"/>
12.	Telephone booking	<input type="checkbox"/>
13.	Airline shop	<input type="checkbox"/>
14.	At the airport	<input type="checkbox"/>
15.	You used your miles online	<input type="checkbox"/>
16.	Someone else booked it for you	<input type="checkbox"/>

5. Which of the above methods do you consider the most convenient?.....

Information sources and preferences

6. Information sources considered while deciding the purchase(select multiple):

11.	Print media	<input type="checkbox"/>
12.	Advertisements	<input type="checkbox"/>
13.	Own experience	<input type="checkbox"/>

14.	Online(Websites, airline review(Skytrax, Aviation forum etc))	<input type="checkbox"/>
15.	Recommendations from someone	<input type="checkbox"/>
16.	Airline brochure and travel catalogues	<input type="checkbox"/>
17.	At the Airport	<input type="checkbox"/>
18.	No sources considered	<input type="checkbox"/>
19.	Someone else booked the ticket for you	<input type="checkbox"/>
20.	Totally trusted the travel agent's suggestions	<input type="checkbox"/>

7. I prefer flying to other modes of transport because(select multiple):

9.	Convenience	<input type="checkbox"/>
10.	Prestige and status symbol	<input type="checkbox"/>
11.	Saves time	<input type="checkbox"/>
12.	Comfort	<input type="checkbox"/>
13.	Connects all the large and important cities	<input type="checkbox"/>
14.	Flying makes me feel important	<input type="checkbox"/>
15.	I have enough money	<input type="checkbox"/>
16.	I like flying	<input type="checkbox"/>

8. One thing where airlines are worse than or lose to other modes of transport(Connectivity, food, travel time to airport etc.):.....

9. Your favourite airlines:

Air India ☐ Jet airways ☐ Spice Jet ☐
 Indigo Airlines ☐ Others, Please specify:.....

10. Do you make travel plans according to the promotions, discount and price cuts done by the airline companies?:.....

Thank you for your time!

IATA member airlines:

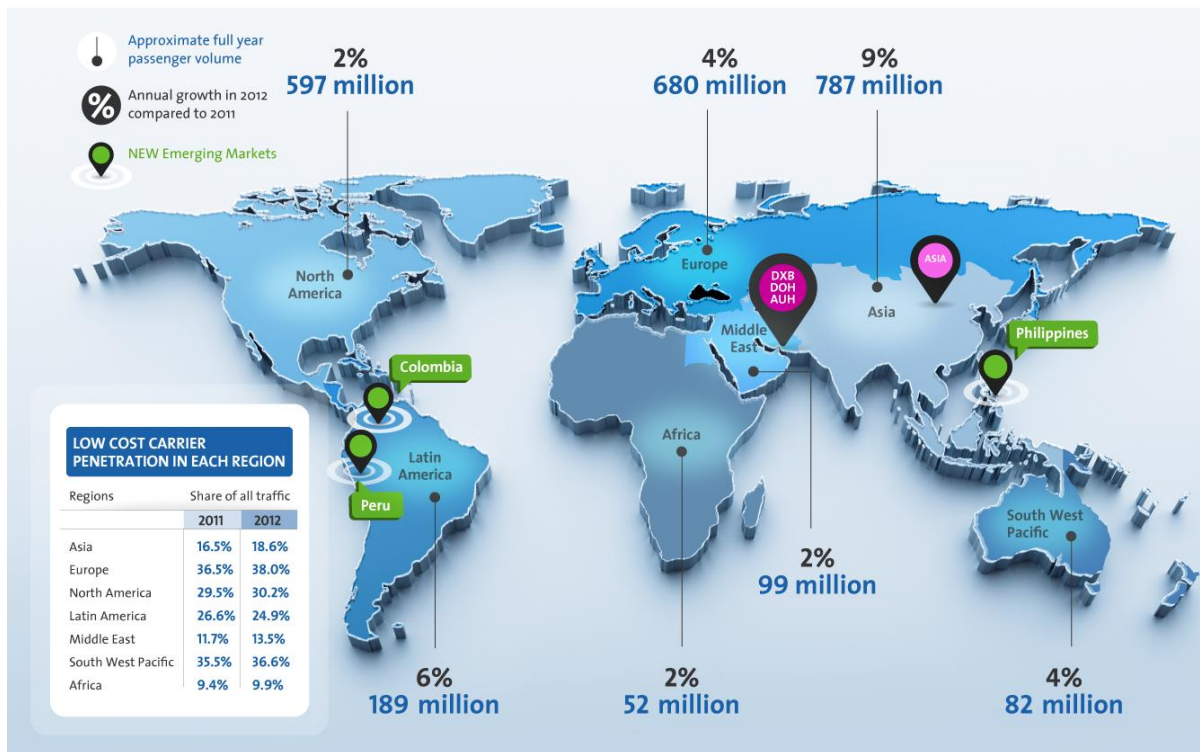


Global air traffic trends



New analysis by Amadeus reveals that:

- Asia still leads air travel growth with 9% increase in 2012 followed by Latin America with 6% increase.
- The Middle East is a rapidly growing hub, Dubai, Abu Dhabi and Doha have a collective growth rate of 20% when serving Europe and Asia traffic.



Among the fastest growing countries in passenger traffic we find:

Peru **28%** Indonesia **22%** Philippines **14%** Colombia **11%** China **10%**

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Your technology partner

	International			Domestic		Total				
	Revenue Passenger Kilometres							ASKs	LFs	
	Traffic Growth	Market Share		Traffic Growth	Market Share	Traffic Growth	Market Share	Capacity Growth	Load Factors	
Africa	↑ 7.4%	3%		↑ 4.2%	1%	↑ 7.0%	2%	↑ 5.2%	69.6%	
Asia and Pacific	↑ 5.2%	27%		↑ 9.6%	37%	↑ 7.2%	31%	↑ 6.7%	77.2%	
Europe	↑ 3.8%	38%		↑ 3.7%	8%	↑ 3.8%	27%	↑ 2.6%	79.9%	
Latin America and the Caribbean	↑ 8.6%	4%		↑ 4.2%	7%	↑ 6.3%	5%	↑ 5.0%	76.1%	
Middle East	↑ 10.9%	13%		↑ 16.1%	1%	↑ 11.2%	9%	↑ 11.5%	76.9%	
North America	↑ 2.6%	14%		↑ 1.9%	46%	↑ 2.2%	26%	↑ 1.9%	83.0%	
World	↑ 5.2%	100%		↑ 5.1%	100%	↑ 5.2%	100%	↑ 4.6%	79.1%	

