FLYING OUT OF AIR POCKETS

GoAir's future was tense just a year back, but the budget carrier is now talking scale and has preponed deliveries of 10 more aircraft

To communicate the change in its business focus, GoAir has gone in for a rebranding exercise: it changed the colour of the logo and uniform of its crew to solid blue, as it wanted to be seen as a serious player and a corporate airline. In the process, it has shed its earlier youth-oriented image. Ground staff, who used to dress in jeans and T-shirts, have also switched over to blazers and suits

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GoAir, which touched a new low in March 2009 when its planes were flying half-empty, is trying to stage a comeback.

The Wadia Group's budget carrier, which had 2.6 per cent market share in the first quarter of 2009, has increased it to 5.8 per cent. It carried 52 per cent more passengers last quarter compared to the same period last year and 153 per cent more in 2009-10 compared to year before, albeit on a low base.

The numbers are still very small, compared to what relative newcomers such as Spicejet and Indigo have achieved. And it's also a fact that despite its focus on driving efficiencies, the airline is at best catching up with its rivals. In May, GoAir had a load factor of 85.7 per cent but its peers did better than that – Indigo clocked 92.3 per cent and Spicejet 90.4 per cent. Even on on-time performance, most airlines scored higher than GoAir.

But everyone agrees that the numbers are a sharp improvement for an airline which everyone had written off. No one had thought that the airline will be in a position to talk about building scale and will finally exercise the option of buying 10 more planes from Airbus. It is in fact trying to prepone deliveries which are slated to start in January 2012. What's more, the airline is making the pre-delivery payments for these planes from its accruals, and is no more looking to induct a financial or strategic partner.

Many feel GoAir's better performance is only to be expected at a time when except Paramount and Kingfisher, all airlines have gained or retained their market share over last year. But experts say market share gains are often a function of the capacity added. For instance, Indigo's market share increased to 16.6 per cent in June 2010, up from 13.6 per cent in June last year — a period during which it added around 10 aircraft.

But GoAir managed to almost double market share by adding just two aircraft. "You do not gain market share only by dumping more capacity in the market. Without passengers, the added capacity will only dilute the load factor. So GoAir must be doing something right. Once you get a bad reputation (for service and reliability) it takes a long time to re-achieve a good one," says Steve Forte, a former CEO of Jet Airways.

Problems & Response

While GoAir has been riding the recovery in demand, it has come a long way from the lows it hit in the second half of 2008-09. At one point, the airline was cancelling 20-22 per cent of its flights, which began to erode the confidence of fliers and travel agents. That's when Chairman Nusli Wadia stepped in, and in April 2009, replaced CEO Edgardo Badiali with a management led by Kaushik Khona, who was then working as vice-president, finance, in the Chairman's office.

Khona's brief was to make the airline profitable in a way that it could sustain its growth. The immediate challenge was to restore confidence of fliers and trade and return the old planes, the root cause for cancellations. When the planes are returned, they go to the workshop as they have to be returned as brand-new aircraft. This meant some upfront costs, and the group chipped in with one-time funds infusion in September 2009.

Three old planes were returned in May, June, and July 2009. "We told ourselves that we will never cancel a flight and always fly on time. This helped us gain stability and instill confidence in consumers and trade," says Khona. This started showing results: in April, GoAir carried 140,000 passengers against 70,000 the previous month.

Changing Colours

To communicate the change, the airline went for a rebranding exercise: it changed the colour of the logo and uniform of its crew to solid blue. "We wanted to be seen as a serious player and a corporate airline," says Khona. So, it tried to shed its youth-oriented image. Ground staff, who used to dress in jeans and T-shirt, switched over to blazers and suits. "It helps in the overall look and feel of the airline," says Rakesh Tiwari, GoAir's vice president, commercial.

It used customer feedback to ramp up its customer service, benchmarking them with the best in the business. For instance, if it took Indigo or Jet Airways a minute to check in a passenger, it tried to achieve the same. "With a 360 degree approach, we aligned all departments, trained them for better customer delivery," says Tiwari. With new planes, GoAir was also the first to harp on on-time performance leading to least cancellations.

It also altered its distribution strategy to reduce its dependence on consolidators and now directly reaches over 600 travel agents who generate 27-28 per cent of its sales. As it began promoting sales through its website and call centres, distribution costs fell to 5 per cent from 13 per cent before April 2009.

GoAir's network strategy focused on how it could flog its assets and connect tier-II towns not serviced by other LCCs.

It operates 16 flights a day on the Delhi-Mumbai-Delhi sector, which caters to its corporate customers and sustains the airline. It was the first LCC to launch a business class (in the first two rows, minus the middle seats, with meals and more leg space), which comes at a third of the price charged by full-service carriers. It offers a flexi fare— for Rs 150 more, it allows people to reschedule flights without a fee.

LCCs like to dominate city-pairs with higher frequencies than spread themselves too thin. But GoAir believes in connecting more cities with fewer planes. So, with eight planes, it services 15 stations. Spicejet serves 18 stations with 20 planes and Indigo connects 22 cities with 27 planes. Khona believes it helps him widen his reach and carry more people. As a result, it flies to four stations where Spicejet (Nanded, Nagpur, Indore and Chandigarh) or Indigo (Indore, Nanded, Chandigarh and Bagdogra) don't fly.

Not everyone is impressed. A senior executive with a rival LCC says 'Go Air changes its route strategy every six months and can't decide what to do. The best flights in the networks are always the ones which have been there for a long time in the network. How many times they started flying Ahmedabad-Bangalore, stopped flying, and resumed flying? They are an airline without a thought," he says.

But there are backers too. Many experts say it's smart thinking to build a network of cities that tries to avoid direct confrontation with larger and more established airlines. "Once their strength increases, they can start nipping at the major's flanks," says Forte. This strategy helps it flog its planes more—at 7.6 flights a day per aircraft, it has the highest aircraft utilisation per day, followed by 6.5 flights a day per aircraft by Indigo and Kingfisher. Khona says this allows him to do one extra flight per day.

For the airline, the next target is to improve market share to 7.5 per cent by December 2011 and improve efficiency.

AIRLINE MARKETSHARE

	Mar-09	Jun-09	Jun-10
Kingfisher	26.70	24.40	21
Jet Airways	17.80	16.60	18.70
Jet Lite	7.30	7.30	7.80
Air India	17.10	17.50	16.90
Indigo	13.40	13.60	16.40
Spicejet	12	12.80	13.30
GoAir	3	5.40	5.80
Paramount	2.20	2.00	0.30

Source: DGCA press notes (In per cent)