Chapter 51
Flying High:
A Study on the Airline Preferences of Individuals in Urban India

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ABSTRACT

The chapter involves the design of a research based on the primary data collected on the airline prefer-ences of individuals in urban India of different age groups from 16-84, belonging to diverse cities from across India. It focusses on gathering data on various aspects of economic status of people and the differ-ent flights they prefer based on various amenities like punctuality, pricing of tickets, baggage allowance etc. It also explores respondents' enrolment in reward programmes, their preferred cabin classes, their most frequent means of booking their tickets etc. The chapter has used primary and secondary data to analyse the problem under study. The study seeks to derive the choices of Indians per se about the way to travel by airways.

INTRODUCTION

India's civil aviation industry is on a high-growth trajectory. India aims to become the third-largest aviation market by 2020 and the largest by 2030. The Civil Aviation industry has ushered in a new era of expansion, driven by factors such as low-cost carriers (LCCs), modern airports, Foreign Direct Investment (FDI) in domestic airlines, advanced information technology (IT) interventions and growing emphasis on regional connectivity. India is the ninth-largest civil aviation market in the world, with a market size of around US\$ 16 billion. India is expected to become the third largest aviation market by 2020. "The world is focused on Indian aviation – from manufacturers, tourism boards, airlines and global businesses to individual travelers, shippers and businessmen. If we can find common purpose among all stakeholders in Indian aviation, a bright future is at hand" said Mr. Tony Tyler, Director General and CEO, International Air Transport Association (IATA).

During January-August 2016, domestic air passenger traffic rose 23.14 per cent to 64.47 million from 52.36 million during the same period in 2015. Passenger traffic during FY 2015-16 increased at a rate of 21.3 per cent to 85.57 million from 70.54 million in the FY 2014-15. In July 2016, total aircraft movements at all Indian airports stood at 168,400, which was 14.3 per cent higher than July 2015. International aircraft movements increased by 8.2 per cent to 32,830 in July 2016 from 30,330 in July 2015. Domestic aircraft movements increased by 15.8 per cent to 135,570 in July 2016 from 117,050 in July 2015. Indian domestic air traffic is expected to cross 100 million passengers by FY2017, compared to 81 million passengers in 2015, as per Centre for Asia Pacific Aviation (CAPA). India is among the five fastest-growing aviation markets globally with 275 million new passengers. The airlines operating in India are projected to record a collective operating profit of Rs 8,100 crore (US\$ 1.29 billion) in fiscal year 2016, according to CRISIL Ltd (IBEF,2017).

ROBUST PERFORMANCE, SUPPORTED BY GROWING DEMAND

Domestic air passenger traffic has been growing at a healthy rate driven by growing economic activity and affordable air fares. Further, addition of new players as well as capacity enhancements by incumbents has resulted in a Compound Annual Growth Rate (CAGR) of 9% over the last three fiscals in the industry average monthly available seat kilometers (ASKMs) to 8,150 million. The industry capacity has recovered from the sharp cuts experienced during FY2015 due to the financial crisis at SpiceJet. In addition to capacity growth, the industry passenger load factor (PLF) has also grown from an average level of 75% to 83% over FY2013 to FY2016, steered by the strong traffic growth. As a combination of the aforementioned factors, the industry average monthly revenue passenger kilometers (RPKMs) has increased at a CAGR of 12.7% - from 4,700 million in FY2013 to 6,750 million in FY2016, although at the expense of marginally lower yields. Nonetheless, compared to other countries, the domestic air traffic growth (as measured in RPKMs) has been by far the highest in India during FY2016. It stands at a much higher level than the global domestic RPKM growth of 6.7% during the same period. Although the domestic ASKMs reported a CAGR of 9% over FY2013 to FY2016, the growth is outpaced by passenger traffic growth of ~14% during the same period. Lack of anticipation of demand growth and cautious approach towards capacity expansion by many of the players translated into this lag in capacity addition. Indigo has been the only outlier with Available Seat Kilometers (ASKM) growth of ~22% during this three-year period, while the industry (excluding Indigo) grew at a paltry rate of 3%. The international

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