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**UNIVERSITY OF PETROLEUM
AND ENERGY STUDIES**

End Semester Examination – April, 2018

Program/course: BBA (AVO)

Subject: Aviation Marketing

Code :

No. of page/s:

Semester – VI

Max. Marks : 100

Duration : Hrs

Section A (4 marks each)

Select True or False

1. No LCC airline in India carries cargo. **True / False**
2. When an air consignment is of small dimensions, volumetric weight is the obvious choice for determining the charges. **True / False**
3. Unlike airlines, airports do not have to comply with regulations laid down by regulatory authorities. **True / False**
4. Airlines practice predatory pricing to eliminate competition. **True / False**
5. An airline with a valid Air Operator's Permit does not require to seek approval for its flight schedule from regulatory authorities. **True / False**

Section B (5 marks each)

Write short notes on the following :

1. Primary and secondary catchment areas of airports
2. The rationale for airline lounges at airports
3. Concept of peak and off-peak hours
4. Quantity or Bulk Rates for cargo carriage

Section C (10 marks each)

5. Describe the additional P's of the marketing mix that come into play for services marketing, and illustrate for an airline.
6. Discuss the elements of non-aeronautical revenue (of airports) and how airports can gain from focusing on this source for revenue enhancement.
7. You have been retained by a cargo airline as Business Development Manager. Explain the strategy that you would adopt for new business and growth, when approaching potential and existing clients.

Section D (30 marks)

8. Case Study

The Curious Case of SpiceJet

SpiceJet, a leading Indian aviation player, was on the verge of shutting shop a few years back (2014). With delayed salaries, layoffs, delay in payment of statutory dues – Service Tax, TDS etc- in 2014, SpiceJet was struggling to survive.

Issues and Problems

1. Chennai based Sun Group acquired SpiceJet in 2010. The inconsistent performance was set off with investments by media baron Kalanithi Maran, who invested close to Rs 1500 cr in the airline and ended up owning 58% shares.
2. The losses in the airline were still overlooked in a hope to rope in an overseas investor.
3. SpiceJet was in talks with American private equity investors who could bail the airline out from its immense losses. PE investors like TPG Capital, Indigo Partners etc- were keen to invest in the airline. However, when the deal was about to take shape, Dayanithi Maran, brother of the majority stakeholder Kalanithi Maran, was accused of misconduct by the CBI in the famous Aircel-Maxis case. The PE firms therefore backed out of any SpiceJet investment.
4. With no investors and burgeoning losses, SpiceJet was forced to return planes, cut manpower and consequently cancel flights. This made the airline default on fuel payments, clearing vendors' outstandings and other debts.
5. DGCA came into action and prevented booking of tickets beyond 30 days and ensured immediate refund to passengers whose flights were cancelled.

6. Cash inflows declined; travel agents, who used to deposit advances for bookings and then took refunds, now said no to deposits and on December 15, 2014, the SpiceJet management told the DGCA it was about to suspend operations.

Action and Turnaround

1. Kalanithi Maran sold his stake in the airline and a new management led by erstwhile chief, Ajay Singh came into force. Under the leadership of Ajay Singh, the airline proposed a new turnaround plan to the Ministry of Civil Aviation.
2. The government had a vital role in bringing SpiceJet back to life. Aviation ministry wrote to AAI and oil companies asking them to allow credit facilities to SpiceJet and also allow the airline to stagger payments to clear its dues. Also, DGCA was asked to lift the 30 day restriction on sale of tickets placed on the airline.
3. Simultaneously, Singh himself met the oil companies to resume working with SpiceJet on part payment of their dues. The falling oil prices also helped.
4. Singh inferred that their problems were multiplying because of 'loss of trust'. The airline was paying a price for loss of trust amongst its customers, employees, vendors etc. He identified that the only way to win the trust back was by resuming normal operations. Therefore, Singh focused on getting the basics of the airline right – ensure that flights are taking off in time and interfaces like websites, counters at airport are working smoothly. SpiceJet strategically chose the holiday period to rollout the measures so that most of the customers could benefit, and gain trust back again in the airline.
5. SpiceJet also shut down five domestic and 3 international destinations to optimise their cost.
6. Though sale offers continued, the key dates – holidays, festivals etc- were kept outside the purview of the sale. Earlier, the offers were applicable across all dates, hitting the revenues.

SpiceJet in 2017 – Flying High

1. SpiceJet's revival tells us what positive attitude and the right strategic moves, coupled with proactive government support, can do. Today, the airline's shares are hovering around Rs 125 each. In June, *Bloomberg* said it was the world's best aviation stock this year with a 124% gain.
2. SpiceJet is valued at Rs 7,400 crore, up from the Rs 650 crore it was valued at during its darkest hour in 2014. Rival Jet Airways Ltd, with a fleet double that of SpiceJet, is valued at Rs6,200 crore.
3. Earlier this year, the airline ordered 100 fuel-efficient Boeing Max aircraft, adding to a previous order of 55 planes which will be delivered over the next decade and bring down its costs by another 5-10%. It also has options to buy 50 more planes taking its order book to 205.

The SpiceJet case is amongst the rarest instances where an airline has sprung back from near closure levels. Prior to SpiceJet's precarious predicament, players like Kingfisher Airline, Paramount Airways and Indus Airlines had shut shop.

From the narrative given above, what can you identify as the reasons for SpiceJet's poor performance prior to the turnaround ? What was the revival plan based on and what were the market oriented strategies initiated for the turnaround ? Your findings and analysis must discuss all relevant elements giving reasons and logical explanations.

