



Challenges faced the airline industry.

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A Declaration by the Guide

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Further, I certify that the work is based on the investigation made, data collected and analysed by him and it has not been submitted in any other University or Institution for award of any degree. In my opinion it is fully adequate, in scope and utility, as a dissertation towards partial fulfilment for the award of degree of MBA.



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Abstract

Indian aviation market is very competitive. Various players are struggling to fetch the profit. Most of them are facing various problems. There are issues with operations, government policies, taxation and huge investment to be brought in to start the business. This has resulted in creating different types of obstacles for these organizations. For instance, companies are now required to invest large amounts of resources in marketing and promotion activities to attract more and more customers. The main aim of conducting the present study is to identify various issues faced by the airline industry. For the present study, the researcher has adopted an inductive approach focusing on general assumptions then comes to the specific and applies to the industry; the researcher has emphasis on selecting exploratory research design technique. The sample size for the present study is 101 respondents from 05 different airline companies at Chhatrapati Shivaji International Airport Mumbai, include Air India, Indigo Airways, Spice jet, Go Air, TATA-SAI Vistara, Airlines. From the study carried out, it can be concluded that there are large number of issues and challenges that are being faced by the companies operating in the airline industry. At present, conducting smooth flow of all operations and activities is no longer an easy task for companies. Companies are not able to determine suitable strategies that can support in attracting new customers and retaining the old ones in every possible manner. It is recommended to the airline companies to carry out external analysis on a continuous basis through PESTLE (Political environment, Economic factors, Sociocultural factors, Technological changes, Legal issues, Environmental Aspects) as through this it is possible for them to know the external challenges that affect business operations.

Chapter 1

1.0 Introduction

In the modern era, the airline industry is contributing a lot to the growth and development of the global economy. Indian aviation industry is among the top 10 aviation industries of the world. It has shown high growth trajectory. According to the recent report by KPMG, Currently Indian civil aviation industry has size of 16 Billion US dollars. It is contributing to the 0.5 % of the GDP. Now a days daily 150 million passengers are transported by air. It is forecasted that by 2020 this number will raise to traffic of 450 million passengers daily. Over the past few years, the travel and tourism industry has witnessed significant growth and airlines can be termed as the most prominent supporter of the entire industry. In monetary terms, it can be expressed that the aviation industry contributes 3.5% to the total gross domestic product of the world.

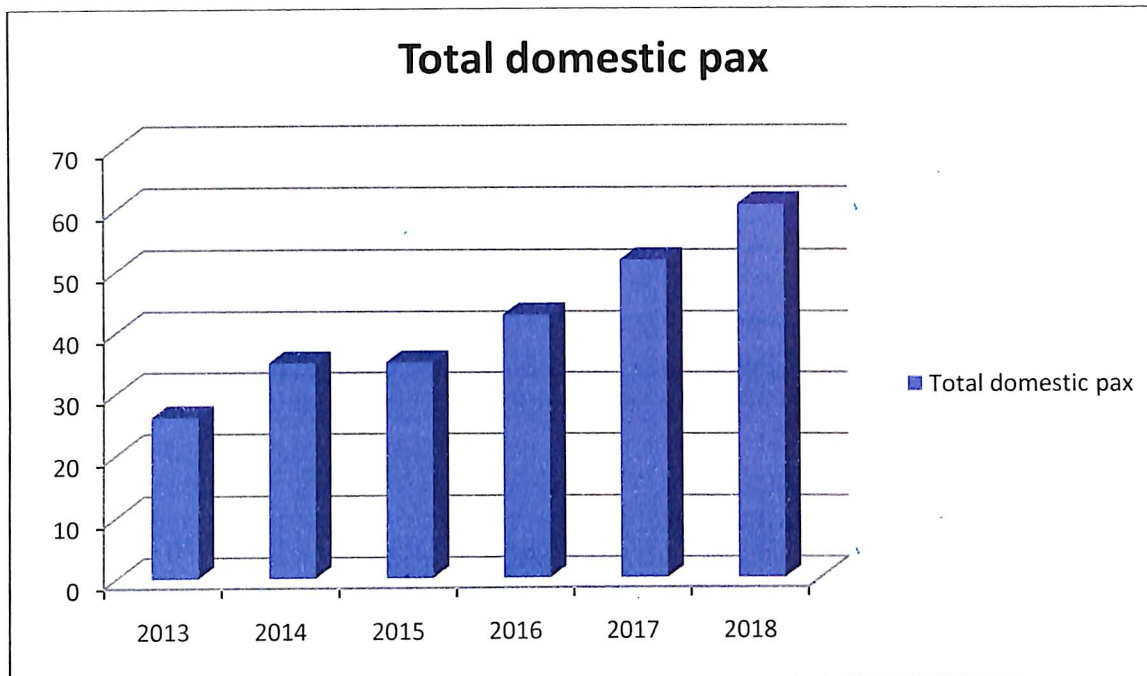
The contribution of the airlines industry can be also understood by the fact that every year more than three billion people make use of the services provided by the industry (Shaw, 2016). Apart from this, the industry also contributes to economic growth indirectly by creating potential employment opportunities. Nowadays, the airports are no longer restricted to a place or particular point of departure, and now, leisure facilities such as dining, shopping, relaxation and much more are offered. However, it can be critically argued that irrespective of the fact that the industry is contributing significantly to economic growth; these days, there are several challenges that the industry is facing. The problems have started creating several obstacles in terms of achieving higher growth and objectives. For example, the companies operating in the airline industry are facing issues linked with management of human resources. This has further resulted in affecting the way in which services are delivered to customers. The rate of employee turnover is increasing and this can be considered a major threat in long-term growth and sustainability of the airline companies. In the present scenario, human resources are considered as the vital asset for any business enterprise. Effective management of staff members will aid in carrying out the smooth flow of all operations and business activities in the long run. It can be expressed that the rate of employee turnover is increasing because of factors such as rising discrimination practices and inadequate pay in the industry. These factors have resulted in creating a high degree of dissatisfaction among workers and, at the same time, have encouraged these individuals to quit their job and move to other industries. Apart from this, changing technology at frequent intervals has also emerged as a major challenge for the companies operating in the airline industry. In order to remain competitive in the marketplace, it is required by businesses to adopt new technology or upgrade their existing technology at frequent intervals.

This results in increasing the overall operational cost that is a big threat for companies. In addition to this, rapid technological changes also adversely affect the profit margin of the airline businesses. Even after adopting new technology, organizations are required to invest large amounts of human, financial, and other related resources to provide training to staff members in terms of using the technology. Frequent training programs also result in developing a sense of dissatisfaction among workers and, thus, hampers their overall productivity to a great

extent. Nowadays, the competition among businesses operating in the airline industry has become highly intense. This has resulted in creating different types of obstacles for these organizations. For instance, companies are now required to invest large amounts of resources in marketing and promotion activities to attract more and more customers. Furthermore, the airline companies are required to offer high quality services at low cost to attract new customers, which is not an easy task. In the modern era, the bargaining power of customers in the industry is very high as there are several options and alternatives available for them. Increasing and intense competition is a threat because it forces the existing business to constantly focus on improving service quality and innovation, which is never easy when the profit margins are low. Attaining a high degree of customer satisfaction in the long run has become very complicated for the companies operating in the airline industry.

1.1 Overview

Aviation is helping fuel the growth of the global economy and nowhere more so than in Asia where many residents are traveling abroad for the first time. Total aircraft movements and passenger traffic has grown with CAGR of 3.3 and 5.5 percent respectively during FY 11 to FY 14. It is estimated by Airport Authority of India that aircraft and passenger movements at the entire airport are expected to rise at the rate of 4.2 and 5.3 percent respectively. There are few factors such as entry of Low costs carriers (LCC), modern airports, vision of the new government regarding tourism and transportation, foreign direct investments, cutting edge technology, and vision of regional connectivity are driving the industry towards transformation. In 11th five year plan (2007-12), four new airports are built in “Public Private Partnership (PPP)” mode. At present there are around 450 airports still there are no airports in tier 2 and tier 3 cities. Airport Authority of India manages 125 airports of which 11 airports are international airports, 8 custom airports, 81 domestic airports and 25 civil Enclaves at defense airfields. Tier 2 and 3 cities contribute only 30 percent of the total air traffic. Government of India is planning to construct more 15 airports under the Greenfield Airport Policy by identifying low cost viable model for construction of small airports. These airports are expected to improve the connectivity among these T2 and T3 cities. Along with this AAI is also planning to invest 150 million in development of non-metro airport in 12th five year plan. According to report of CAPA Indian Domestic market has shown growth.



1.1 Table total domestic pax (millions)

1.2 Background

The present research is essential because it will help in identifying and understanding the current issues faced by the airline industry. The increasing air traffic and competition have resulted in affecting areas such as sales and profitability of the businesses. The emergence of low-cost airlines such as Indigo Aviation, Spice Jet Aviation, Go air Aviation, Vistara Aviation has resulted in making the entire industry highly competitive. The pressure on existing market players has increased to a great extent, and the competition has emerged as a threat to the entire industry. The cost of operating in the industry is very high, and thus, companies can sustain only when they are able to attract the desired number of customers and profitability. The present study is significant because it will help in understanding the key issues that are being faced by the companies operating in the airline industry. This research will support in carrying out in-depth analysis of the entire industry to understand different types of issues and challenges the airline industry is going through.

This study will play a critical role in determining effective strategies that can help organizations in the airline industry deal with the current issues. For example, problems such as low margins and fares can be overcome by introducing a product, service, or facility that no other player in the market is offering. The business will be able to gain a competitive advantage over other companies by introducing unique services and attracting customers. The study will be very helpful for the companies operating in the airline industry and other related businesses. The reason behind this is that the study will provide companies with reliable and valid information about different types of strategies and techniques that can be used to deal with the existing

challenges and issues. Businesses will be able to carry out smooth flow of all their operations and activities by using the recommendations provided in the current study. Long-term growth and sustainability can be accomplished by working upon or implementing the strategies that will be provided in the present research.

1.3 Purpose of study

The main aim of conducting the present study is to identify various issues faced by the airline industry. It can be expressed that issues such as changing economic conditions, intense competition, rising fuel prices, etc. have created obstacles for the businesses in the airline industry (Top 10 Airline industry challenges, 2017). To sustain in the long run, it is required by airline companies to develop and implement effective strategies that can support in overcoming the critical issues. Issues such as increasing prices of fuel have adversely affected the profitability of businesses operating in the airline industry. It can be expressed that developing effective strategies and action plans to deal with these issues is now vital for companies in the airline industry. It will become highly difficult for organizations to carry out smooth flow of their operations and achieve the desired volume of sales and profitability in situations where effective strategies are not developed to deal with the highlighted issues and challenges in the study. Nowadays, the customers are equipped with a wide range of options and alternatives to choose from and the rationale behind this is considered as intense competition among businesses. The companies in the aviation industry need to focus on developing strategies to lower operational cost so that they can offer airline services at low or competitive prices (Belobaba, Odoni and Barnhart, 2015). Another reason behind conducting the present research is to identify different ways through which businesses can overcome these issues and ensure long-term sustainability. With the ever increasing pace of industry, challenges due to globalization have adversely affected the companies that are operating in the market. Every company has started to take corrective actions for dealing with the issues faced as challenges such as competition, legal barriers, etc. affect the profitability and sales volume of the companies.

1.4 Research Hypotheses

1. Explain the present scenario of the airline industry?
2. The aviation industry cannot keep-up with the rising fuel price?
3. Is low cost carrier the future of aviation industry?
4. What are the ways through which the airline industry can overcome challenges and attain better growth?

1.5 Structure of the Dissertation

The structure of study reflects the entire way or process in which the study will be completed. Every researcher needs to develop an appropriate and suitable structure for carrying out the whole research. The benefit of the structure is that it provides guidelines and directions to the researcher in terms of how the study can be conducted efficiently to attain the aim and objectives. The structure of the current study is provided below as:

Chapter I: Introduction. It is considered as a significant chapter of the study as it reflects an overview of the entire study carried out. This section includes essential elements such as Overview, Background and Purpose of study of the research. This section is considered as critical because it supports the readers in getting an overview about the entire study being carried out.

Chapter II: Literature Review. It is the second chapter of the study that reflects the work and studies carried out by other researchers with respect to the topic undertaken for investigation. This section is crucial as it helps the reader get insight into the topic and become aware of the concepts associated with the same. Here, critical analysis of the work carried out by other researchers and authors is presented to develop in-depth knowledge about the topic selected for investigation.

Chapter III: Research Methodology. The tools and techniques linked with the entire study are mentioned in this section. Tools such as research design, philosophy, and approaches to data collection, data analysis, and sampling are reflected in this section. This section is critical because the process of data collection and interpretation are affected by the same. It can be expressed that the selection of right tools and techniques is vital in terms of accomplishing the objectives and aim of the study. At the same time, the overall findings of the study are affected by the kind of tools and techniques selected by the researcher to

carry out the entire research. It is also suggested that the selection of research methodology should be carried out based on the aim, objectives, and nature of the study.

Chapter IV: Data Analysis. In this section, different tools and techniques are used by the researcher to carry out the evaluation of information collected from the primary and secondary sources. It can be stated that at the time of selecting the technique for data analysis, a researcher is required to be very careful as the entire findings of the study are affected by the chosen technique. It is very important for a researcher to make sure that the appropriate technique of data analysis is selected while carrying out the study.

Chapter V: Conclusions and Scope for Future Work. In this section, the findings of the study are reflected in the form of the conclusion. In addition to this, and Scope for Future Work suggestions are provided for further improvements.

Chapter 2

2.0 Literature Review

It is one of the most important parts of the thesis that undertakes critical review of Various authors and through this research is carried out in proper manner. In every type of Research, it is quite necessary to undertake reliable sources so that expected findings can be easily obtained with the help of this. The present study carried out is based on identifying the different types of challenges faced by the airline industry in the modern era. Further, there is no doubt that the airline industry is facing severe challenges and this is adversely affecting the operations carried out by the businesses operating in this sector. So, in this regard views of different authors and experts have been undertaken in order to Better explore the key challenges in the aviation industry.

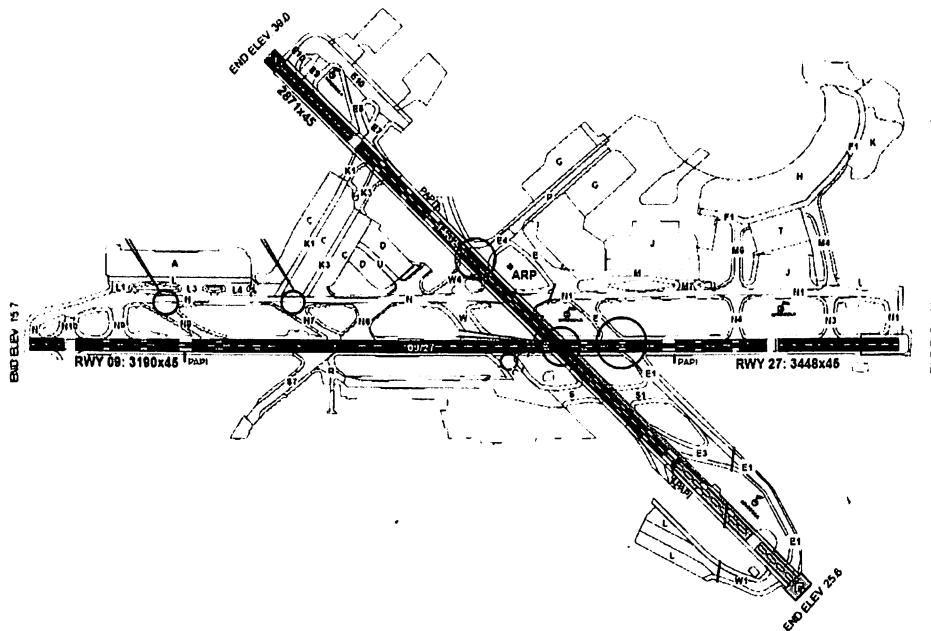
Indian aviation industry is one the world's fastest growing industries. The Government has taken several measures over the years to offer an environment of growth to the industry players. The efforts of Indian Government were to transform the aviation industry into a more liberal and investment friendly industry. The Government modernized the airports added new airports in the country. The Government also offered improved FDI policies that have contributed significantly to the opportunities

But the aviation industry is also confronted with severe challenges posing threat to the survival of air carriers. Though many new entrants have joined the industry, a large numbers have also withdrawn themselves owing to heavy losses. And many others are struggling hard to survive. Air India Go Aviation Airlines are good examples of this crisis .

2.0.1 Congestion

Congestion is a major factor when it comes to cost to airlines if the arrival of the flight is delayed, the other process gets delayed eventually. Airport infrastructure plays an important role in this process. Chhatrapati Shivaji International Airport Mumbai, in spite of all its shortcomings, is trying to handle the air traffic congestion at Mumbai airport, India's second busiest by passengers and most congested, faced its worst delays in at least five years in 2017.

Nearly a third of the flights were delayed on average during the year, according to data on the airport's website. And December was the worst month in five years, with 44% of departures and 47% of arrivals getting delayed, resulting in delays in 45.5% of the total flights at the airport. The data showed the airport, run by the GVK and Infrastructure-led consortium Mumbai International Airport (MIAL), has deteriorated every year in terms of following the flight schedule. In 2013, about 23% of flights were delayed on average, and the proportion increased every year thereafter.



Illustrations 0.1 Chhatrapati Shivaji International Mumbai Airport

In terms of departures, 36% of all flight delays were caused by Mumbai airport's own air traffic control issues. About 48% or the highest chunk were because of "reactionary reasons"

December usually sees a lot of cascading delays at the Mumbai airport due to glitches in Delhi, India's busiest airport, which is affected by heavy fog during winter. Delhi-Mumbai is India's busiest air route. This time, however, Delhi wasn't to blame, said industry executives.

Delhi was in fact much better this year. We got about two days of extremely bad fog which led to disrupted flight schedules. But the problems of Mumbai airport are largely its own," said a senior executive of a low fare carrier, who didn't want to be named.

In 2016-17, the Mumbai airport became the world’s busiest single-runway airport by handling 837 flights a day or one in 65 seconds on average, beating London’s Gatwick airport that had 757 flights a day.

The airport was also busiest in terms of number of passengers, with 45.2 million people flying in and out during the year. Gatwick followed with 44 million.

But its single runway operations — two runways crisscross each other and are used alternately — is Mumbai airport’s biggest bane apart from the fact that it is surrounded by slums and buildings that nearly get into the flight path. A Directorate General of Civil Aviation order to demolish buildings in the pathway is yet to be completely implemented.

“Single runway operations are Mumbai’s main problem,” said Mangala Narasimhan, deputy general manager (aviation safety) at the state-run Airports Authority of India (AAI).

We are managing ATC via vertical/horizontal allocation of airspace and flight operations to them. But there will be a likely shortage. Since October 2017, the AAI has implemented a rule that says one set of ATC officials can train on only one kind of radar — there are two, viz. en route radar and approach radar. Earlier they used to be trained on both. Now when the permits of the former kind lapse, there will be an artificial shortage of ATC officials. That is expected to happen from March 2018,” she said. In a note released in October 2017, Sydney-based consultant CAPA Centre for Aviation highlighted Mumbai as under the highest risk of saturation, by 2017 or this year. It is the only airport in the country to have reached beyond its maximum limit of handling passengers. The airport has spent ₹ 10,000 crore in upgrading its terminal, but it is the only major airport not to have significantly invested in the development of its runway.

Table 0.1 Average flight movement delays in five years (% of total)

2017	33%
2016	31%
2015	26%
2014	25%
2013	23%

Table 0.2 Worst single months in terms of flight delays in five years

December 2017	45.5%
December 2016	45%
January 2014	42.5%
November 2017	41.5%
July 2016	40.5%

In the above table explains how the delays percentage rise over pass five years , On the other hand due to increase air traffic were safety of commercial aircraft was on linewere every commercial passenger aircraft has a set of life-saving devices to guard against possible mid-air collisions. If two aircraft come dangerously close, the collision avoidance system of both planes work together to blare a persistent “climb, climb“instruction in one cockpit and “descend, descend“ in the other. Had the technology not existed, between January and April this year, five collisions involving 10 passenger jets would have taken place in the Mumbai airspace. In all 2014, only 7 near-misses were reported in the area

But in the four months this year, the Mumbai ATC registered 21 “reportable incidents“ as against 19 registered in 2014. A reportable incident can be a minor case like an aircraft forced to do a second attempt at landing or a major one, like the five near misses, where the planes came within 30 seconds of colliding with each other. During the critical stages of a flight -approach, landing and take-off -14 incidents took place in the airspace between January and May this year as against 13 registered in all of 2014. Five near-misses involving 10 passenger jets in Mumbai airspace have been reported between January and April this year.

This is a “resounding proof that air traffic control officer (ATCO) shortage in the Mumbai ATC has reached dangerous levels,“ a senior air traffic controller said, requesting anonymity . The primary purpose of controllers is to maintain separation between aircraft, organize and expedite air traffic flow across altitudes and pro-vide information, navigation instructions to pilots. In Mumbai, currently 255 controllers do the job of 455. The 43% shortfall is extreme, as globally , the average controller shortage stands at 10%. The problem has been chronic at the Mumbai ATC, but has turned worse in the last two years. Between 2013 and April 2015, the number of flights in the Mumbai airspace went up by 74,000, but the ATCO count fell from 273 to 255

“Today, Mumbai is the most difficult ATC centre in India to get posted to. Each Mumbai controller is forced to handle about 40% more aircraft than what is deemed safe in the US, Europe or other parts of In dia,“ said a controller.

Air traffic control services are provided by the Airports Authority of India (AAI). A comparison of the number of controllers deployed in Delhi and Mumbai airports reveals AAI's neglect towards Mumbai. Currently , at the Mumbai ATC, a team of 22 tower controllers work in shifts to handle the 810 daily arrivals, departures. In Delhi ATC, 49 tower controllers handle its 910 daily arrivals, departures.

“AAI needs to be more proactive if it has to reduce the number of near-misses and flight delays at Mumbai airport,“ said a source. “Of the 32 ATCOs transferred to Mumbai last year, only 13 joined. The rest managed to stall their transfers and stay away from Mumbai. This has been the

trend for a while now,” the source said. The 9.64 million sq km Indian airspace is divided into four centers (Delhi, Mumbai, Kolkata, and Chennai) and Mumbai handles most of the 5 million sq km that is its share. In each sector is handled by one controller whose primary task is to ensure proper separation between planes.

“Unlike in the west, in India, the software and the systems in place have not evolved to take the load off the controller. In the US and Europe, they have set limits to the maximum number of aircraft a controller should be allowed to handle at a time,” said an airport official. The AAI has not set such limits which lead to flight delays which leave huge impact on operators as well as the economy. The delays result into money costs, time costs and cost of lost demand because it discourages many air passengers. A delay in flights not only negatively affects the aviation industry but other industries as well because aviation largely connects people with their businesses.

There is a need to make joint efforts towards the growth of aviation industry rather than indulging in unhealthy competition and price wars. The Government should also implement strong measures to reduce taxes and improve infrastructure.

2.0.2 Terrorism

When terrorists strike—as they did during the November 2015 Paris attacks and the March 2016 Brussels bombings and February 2019 Balakot airstrike a day later India Pakistan air engagement, the ongoing conflict between America and Iran the effects reverberate across the globe. These high-profile and devastating tragedies impact human behavior in a variety of ways, particularly immediately after the event.

People often rethink their travel plans after an attack, becoming more cautious about traveling to certain parts of the world. This change in behavior directly leads to the changes airlines see in the number of passengers booking flights. By reviewing the financial statements for specific carriers, we can get a clearer picture of how terrorism, such as the attacks or national conflict, which lead

National carrier Air India lost Rs 491 crore till July 2 due to Pakistan airspace closure
Private airlines Spice Jet, IndiGo and Go Air lost Rs 30.73 crore, Rs 25.1 crore and Rs 2.1 crore, respectively
Due to closure of airspace by Pakistan, national carrier Air India lost Rs 491 crore till July 2, according to data presented by Civil Aviation Minister Hardeep Singh Puri in Rajya Sabha on Wednesday. Private airlines Spice Jet, IndiGo and Go Air lost Rs 30.73 crore, Rs 25.1 crore and Rs 2.1 crore, respectively, the data stated. Pakistan closed its airspace after the IAF's February 26 Balakot strike. Since then, it has only opened two of 11 air routes and both of them pass through southern Pakistan.



1.1 Illustrations Pakistan Airspace Ban

On its part, the Indian Air Force (IAF) announced on May 31 that all temporary restrictions imposed on Indian airspace post the Balakot strike have been removed. However, it is unlikely to benefit any commercial airliners unless Pakistan reciprocates and opens its complete airspace.

In a written response, Puri said, " The airspace closure by Pakistan is an unilateral measure that followed the non-military counter-terrorism airstrike by the Indian Air Force against terror camp in Balakot in Pakistan in February 2019. It is for Pakistan to decide."

Post the airstrike, Air India had to re-route, merge or suspend many of its international flights that connect India with European and US cities.

IndiGo, India's largest airline by share in domestic passenger market, has been unable to start direct flights from Delhi to Istanbul due to the closure of Pakistani airspace.

The low-cost carrier started the Delhi-Istanbul flight in March.

This flight has to take the longer route over the Arabian Sea and make a stop at Doha in Qatar for refuelling. The beleaguered national carrier has suffered losses over Rs 300 crore in the past two months as its long haul flights from New Delhi had to be diverted around the Pakistani airspace and, hence take longer to reach destinations in Europe, the Gulf and the US, IANS reported. Air India operates 66 weekly services to Europe and 33 to the US. Longer flights not only translated to higher fuel burn at a time oil prices were already on the boil, but also meant that the aircraft could not be used to generate revenue elsewhere. Moreover, it pushed up airfares significantly. According to a Reuters calculation, which mapped all 34 flights between Delhi and Amsterdam in both directions, over February 19-26 and April 3-9 - using data from Flightradar24 - the detour added up to two hours to flight time since distances increased by an average 22% over the previous direct path over Pakistan. The Maharajah's Delhi-Washington and Delhi-Chicago flights similarly had to take a southerly detour, compelled to make a stop at Mumbai or Vienna for refuelling and change of crew.

In the bargain, Air India has incurred daily losses to the tune of Rs 6 crore on additional fuel, cabin staff expenses and reduced flights. "The losses on account of payload restriction and cancellation alone are about Rs 2.75 crore per day. The longer flying time has affected the duty hours of cabin staff and pilots," an Air India official told IANS. "Other airlines have an option to pull out services in such situations but as the national carrier we cannot do so." American carrier United, for instance, temporarily suspended its Delhi-Newark flight and is monitoring the situation.

Air India has, therefore, approached the Civil Aviation Ministry to ensure it is compensated for the loss and the matter is reportedly being taken up with those concerned.

The silver lining is that with Pakistan partially reopening its airspace, things have started to improve. On April 6, Pakistan opened one of the 11 routes for west-bound flights and the buzz is that Air India has rerouted some of its US and Europe-bound flights, saving 15 minutes of flight time. Based on historical evidence, it appears airline stocks decline for the short-term after a terrorist attack and national conflict. The trend seems to reverse itself rather quickly, as was the case for airliners after the attacks on Paris and Brussels. However, this is not a hard-and-fast rule. For example, the September 11 attacks caused some stocks to drop in an unprecedented fashion over a longer period. American Airlines stock was down over 90% over the year following the attacks.

2.0.3 Passenger comfort

Jet Airways, the largest private sector airline in the country, has refitted one of its Boeing -777 aircraft making a three-class configuration to offer first class service on its Mumbai-Hong Kong flight. The new first class service starting from August 21 will provide an 'exclusive all-new five-star in-flight service,' said Mr Paul Wu, Country Manager for Jet in Hong Kong. The first class suites on board will provide a personal cabin with sliding doors and a fully flat bed and a dining table for two, besides the other usual business-class amenities. "Our aim is to ensure unmatched luxury, privacy and comfort to our elite passengers," said Mr. Wu, who has been with Jet Airways for over 15 years and posted in Hong Kong recently. One of the things that will make the service unique is the in-flight meal, he said. Jet, the first airline to offer first class service on the Mumbai-Hong Kong sector, has tied up with Hong Kong Sky City Marriot, a five-star property of the international hotel chain, located close to the Hong Kong airport. The hotel has designed what the airline calls the 'Epicurean series' menu exclusively for its passengers boarding at Hong Kong.

The first of the signature menu series will be based on dishes at the hotel's Chinese restaurant Man Ho, said Mr. Wu in an interview to Business Line in Hong Kong recently. The refitted Boeing 777 will have eight first class cabins, 30 business and 274 economy class seats. To celebrate the new service, the airline will be offering a companion-free scheme under which one ticket will be offered free on every first class return ticket purchased before August 15.

The first class return fare for Mumbai- Hong Kong ranges from Rs 1.88 lakh (lowest) and Rs 2.10 lakh. Jet also operates a daily service to Hong Kong from Delhi but this will continue to be operated by Airbus 330.

Jet airways lead to its downfall were it stop analyzing the market where the future is in low cost and their current business mode was wrong offering full flight service where the majority of the market was focus "value for their money" . From the third quarter of 2010 onwards, Jet Airways was the largest commercial passenger airline in India with a passenger market share of 22.6%. With its competitors, mainly Spice jet and Indigo Airlines, lowering ticket fares in the following years, it was forced to follow suit, hurting overall performance resulting in steep financial losses. It dropped to second place behind Indigo in October 2017, with a passenger market share of 17.8%.

Jet Airways and the airline industry in India can learn from Singapore? Following are some generic suggestions. It is not meant to be an analysis of how Jet Airways got into trouble.

When budget carriers started to emerge in the early 2000s, Jet Airways flirted with the new business model. Initially acquiring Air Sahara for USD 200 million and re-branding it JetLite and later on merging it with another of its brands Jet Konnect. JetLite was positioned somewhere between a low-cost carrier and a full-service carrier. Jet Konnect had similar branding as its parent company but a lower level of service. This brought much confusion into the market.

In the aviation business, there is no mezzanine level of service, no middle ground. You are either a premium airline or a cost leader.

In 2004, when Singapore regulators approved the operations of budget airlines out of Changi, Valuair was one of the few who jumped into the fray. Valuair jointly owned by a Singaporean

businessman Dennis Choo and Qantas offered lower fares together with assigned seating and meals. After just slightly over a year it merged with Qantas's Jetstar Asia.

Budget airlines by definition appeal to the budget-sensitive travellers and especially in the cost sensitive Indian market must be prepared for a fight to the bottom. This means embracing the all the features of budget carriers like flying point to point, using a single aircraft type, landing in airports that charge the least for landing rights, high aircraft utilisation and charging for everything like booking fees, meals, luggage, blankets and even hand baggage if possible.

Innovation is not just about introducing fancy movie and entertainment experiences on-board, sophisticated and luxurious seats or offering block chain powered digital wallets and a comprehensive frequent flyer programme. Singapore Airlines (SIA), being a premium airline, offers all of the above.

However, if a decision is made to operate as a discount carrier, then Ryanair, the leading budget airline in Europe is a good example of being innovative. Led by its charismatic founder and CEO Michael O'Leary, it always comes up new ways to shave dollars off air tickets. Whether for publicity purpose or whether they really meant it, there was talk about Ryanair introducing fees for the use of toilets in planes, charging overweight people more for their flights and even making passengers carry their own luggage to the plane. Ryanair has become synonymous with cheap tickets because they go out of their way to save costs, so travellers are somewhat assured they are getting the best deal when flying with them.

Recently, when Italian seat manufacturer Aviointeriors introduced "standing seats", at the Aircraft Interiors Expo 2019 (AIX) in Hamburg, Germany, travellers instantly connected this idea with Ryanair.

Build code share alliances For full-service carriers, connectivity is key. This is especially so for the more lucrative international routes. No airline can fly to every city. Domestic routes might provide the base passenger load, but it is the international ones that earn the most profits. It is thus important to build strong partnerships. SIA has more than 30 code share partners and many of them are not part of the Star Alliance group which it is a member of.

Jet Airways was not decisive enough in this regard. Initially, it thought about joining Star Alliance and for reasons which are not clear, then started working more closely with airlines belonging Sky Team. When Etihad took a 24 per cent stake, it started to work more closely with Etihad and routed its flights through Abu Dhabi.

SIA may be famous for the Singapore Girl, pampering their passengers and promoting the romance and glamour of air travel, but the management keeps a close eye on costs and are not afraid to cut back when required. First of all, SIA also does not hesitate to terminate routes that are not profitable. Cebu, Chicago, Washington DC, Vienna, Istanbul, and Sao Paulo among the almost 50 cities it has stopped flying to in recent years. After the global financial crisis in 2008,

there was a severe softening of demand for air travel and Singapore Airlines went through a brutal cost-cutting exercise, suspending recruitment, and letting go of staff including almost 80 pilots.

One of the financial structural problems Jet Airways faced was that it was heavily reliant on leased aircraft. While leasing allows a new airline to get off the ground quickly, as it expanded and grew its fleet, it made its operating expenses very high. The fact that Jet leases most of its aircraft made it vulnerable to the planes being taken away by leasing companies when it could not pay them and that is what happened. Globally, on average, airlines own half its fleet and leases the rest. In India, demand for air travel has seen an unprecedented boom. Passenger growth in recent years has been in double digits year on year. By mid-2020s India is forecast to be the world's third largest market for air travel. If, however, airlines do not learn from the troubles at Jet Airways, there will be more airline failures to come in the near future.

Passenger comfort was one of the main reasons for downfall of many reputed airliner in India. Such as Kingfisher and Jet-Airways were their prediction was of India's future was wrong which led them to occur loss in the competitive market.

2.0.4 Politics

When it comes to politics in aviation sector in India, Air India is the name which everyone thinks of. Air India's plight is the result of political interference and mismanagement.

The sorry plight of state-owned carrier Air India is a telling commentary on how a combination of political interference and mismanagement can run the best of public sector companies to seed. To be sure, it has been a while since anyone perceived AI as anywhere near the best of state-owned companies. But that is only because a succession of ministers and chairmen tried to run it as a departmental undertaking instead of allowing it to be run professionally at arm's length distance from its parent ministry.

An ill-advised merger with the domestic carrier, Indian Airlines, delayed and bunched up purchase of new planes and rising oil prices (fuel typically accounts for around 30-40% of airline costs) have not helped matters. As a result, its financial position has steadily worsened. As of March 31 this year, the airline had accumulated losses of 22,000 crore and debt of 42,570

crore and needs an immediate equity infusion of 6,600 to stay airborne.

In all, AI has sought equity support of 42,920 crore, against which the government has agreed to a bailout package of 1,200 crore. Admittedly, the airline industry in India (as also the world) is not exactly in the pink of health. Both Kingfisher Airlines NSE -11.11 % and Jet Airways are also in loss. While Kingfisher Airlines has not made a profit since inception in 2005, Jet Airways made a loss on a consolidated basis in each of the last four years. Low-cost carriers, however, seem to be faring better with SpiceJet (the only listed airline in this category) making profits in the last two years after incurring losses in the previous three.

The blame game for the present mess in AI is unlikely to end soon. Cosmetic changes like replacing the present chairman (presumably with another bureaucrat!) and yet another debt restructuring package will not help. The problems are too deep-rooted. In the circumstances, rather than throw good money after bad and infuse more money into AI, the best thing would be to sell the airline. Air India will find a buyer as it has assets to put on the table. There is no great sanctity about having flag carriers. Many countries have sold off their flag carriers.



4.1 Illustrations arrival of new aircraft

The CAG is also examining a report of the parliamentary standing committee on transport, tourism and culture on the 'Merger of Indian Airlines and Air India: its impact on the Civil Aviation' and criticized the civil aviation ministry for its "ill-timed" plan to merge Air-India and Indian Airlines. CAG's earlier report about aircraft acquisition is being examined by the parliamentary Public Accounts Committee where officers have apprised the members that the decision for the acquisition was taken at the "minister's level". Patel, on his part, has maintained that the decisions, both to acquire the aircrafts as well as the merger of Air-India and Indian Airlines, were right. The fault lay with implementation that has left the national carrier in a state of penury. He now presides over a department that is empowered to decide whether Air-India is a "sick" unit. Who brought about this downfall is a case for the Head of the Council of Ministers to analyze.

2.0.5 Technology

In this rapid growing world technology would be an helping hand in the group of the airline if not maintain properly the will lead to loss to an air as well it was Air India software shutdown effect: 137 flights to be delayed on Sunday,

Thousands of passengers had a harrowing time on Saturday morning at airports across the world as Air India's services were impaired due to a technical glitch from 3:30am to 8:45am.

The five-hour shutdown of Air India's check-in software, which occurred Saturday morning, is still causing its ripple effect as the airline said 137 flights will be running with a delay on Sunday.

The average duration of delay of these 137 flights on Sunday would be of 197 minutes, the airline's spokesperson said.

Thousands of passengers had a harrowing time on Saturday morning at airports across the world as Air India's passenger service system (PSS) software, which looks after check-in, baggage and reservation did not function from 3.30 am to 8.45 am due to a technical glitch.

The spokesperson said total 149 flights were delayed on Saturday because of the software shutdown.

When asked about its effect on Sunday, he said, "Due to delay in first sector, 137 flights are delayed by 197 minutes (average)."

Once an aircraft is delayed in first sector, it is bound to be delayed in the second and third sectors as well. An aircraft generally goes from one sector to another during the day. For example, while

Delhi-Mumbai is one sector, Mumbai-Bengaluru is another sector and Bengaluru-Chennai is the third sector.

The average number of flights that Air India group, which also includes subsidiaries Alliance Air and Air India Express, flies daily is 674. Hundreds of Air India passengers were left stranded at several airports across the world due to a glitch in its check-in software, the airline said on Saturday. The airline's "server is down", an official said.

"SITA server is down. Due to which flight operation is affected. Our technical teams are on work and soon system may be recovered," the airline's spokesperson said.

Air India's software solution is managed by SITA, a global airlines IT services major, which provides its check-in, boarding and baggage tracking technology.

According to an Air India official, the server was down since around 3 AM Saturday morning due to which the airline is unable to issue boarding passes to passengers at airports across the world.



5.1 Illustrations passenger strangle due to Air India express server down

Many passengers complained on social media about being stranded at airports.

A similar incident took place on June 23 last year when a technical glitch in the airline's check-in software delayed 25 of its flights across India.

2.0.6 Labour relations

Labor in India refers to employment in the economy of India. In 2012, there were around 487 million workers in India, the second largest after China. Of these over 94 % work in unincorporated, unorganized enterprises ranging from pushcart vendors to home-based diamond and gem polishing operations. The organized sector includes workers employed by the government, state-owned enterprises and private sector enterprises. In 2008, the organized sector employed 27.5 million workers, of which 17.3 million worked for government or government owned entities

After the temporary suspension of jet operation it employee was exploited in many ways before they were inform about the financial crunch that company was facing over the years creating an environment that everything this in temporary but when the operation stop there are many lucky ones who have been able to find jobs in the rival airlines post the Jet Airways fiasco, there are still a lot many who are struggling to get a job. The market undoubtedly cannot absorb the vast 22,000 employees from the Jet Airways. However; the competing airlines are exploiting the opportunity by hiring cheap labor.

"I have given up all the hope. I get all sorts of thoughts in my mind. I am not getting a job even after having 19 years of experience with Jet Airways. They [other airlines] tell me that it will take more time and I need to wait but I am not able to meet my finances now. Friends and relatives are giving me money in good faith but for how long?" a 44-year-old engineer employed with Jet Airways said.

This 44-year-old engineer who did not want to be named was nearly drawn to tears as he narrated his ordeal over the phone. He also asked if it was "so hard for the government to say a few words" for the Jet Airways employees.

When India Today TV told him that the banks are searching for prospective investors and that the Etihad Airways was still around, he said, "SBI caps aren't letting anyone in. Do you see any transparency in their working? There is no direct effort from the banks to revive the Jet Airways. Everyone wants to grab whatever is left of the airline. For a mere 1,500 crore, 22,000 employees have been rendered jobless."



6.1 Illustrations Jet airways staff march for clarity on airline future

"In August last year, we were told that there would be a cut of 25-50 per cent in our salaries but it would be reimbursed by December 31, 2018. Then, our Chairman Naresh Goyal assured us that our salaries would be cleared by March 31. Of course, none of it ever happened. Now, I am not able to pay the school fees of my kid," he said. "I have eight years of experience in Jet Airways but the airline I went to for an interview offered me Rs 22,000 CTC. I was shocked for a moment but didn't say anything. After a moment, they themselves asked me if I will be able to survive. Where can we go if we reject the offer? So now from Rs 80,000 in hand, I am getting Rs 22,000 in hand," said a Jet Airways employee based in Mumbai. This is the case the labor relation of the company was not transparent which decreases the quality of labor.

2.0.7 Pilot shortage

India facing pilot shortage; 2,000 more needed this year

According to CAPA Research, the country has over 7,963 pilots and will require an additional 17,000 pilots in the next 10 years. Let us take an example of India's fastest growing airline, Indigo Airways. Which had cancelled over 30 flights, Indigo has bought the growing shortage of pilots to the fore, especially when airlines are expanding their fleet.

According to industry estimates, more than 100 new planes will be added in the next 12 months, a bulk of which will come from Indigo alone, currently adding nine planes every month. As a result, around 1,500-2,000 additional pilots will be required in 2018-19 to fly new aircraft and tide over the existing crisis in the cockpit.

Despite more flights in operation, the number of additional commanders being recruited is slowing down. Aviation industry estimates the number of additional commanders recruited by carriers fell by around 10 per cent in 2017-18 over 2016-17. This was despite domestic carriers scrambling for more expatriates to make up for the dwindling pool of qualified home-grown commanders.

According to CAPA Research, the country has over 7,963 pilots and will require an additional 17,000 pilots in the next 10 years, of which 9,000 first officers will be upgraded to commanders.

Indigo currently has 3,100 pilots on its payroll. The carrier constitutes for 38 per cent of pilots recruited by domestic airlines. It also has a domestic market share of 41 per cent and is planning an aggressive overseas flight path. It has over 1,250 captains, which effectively constitutes for over 31 per cent of the 4,000 commanders in service.

According to an airline executive, the ballpark figure of five to six commanders and an equal number of co-pilots, or a total of 12 per aircraft, is needed. "It also takes four to five years for a pilot to become a commander," he said. A top executive of an airline says he also expects salaries to go up by 5-7 per cent annually.

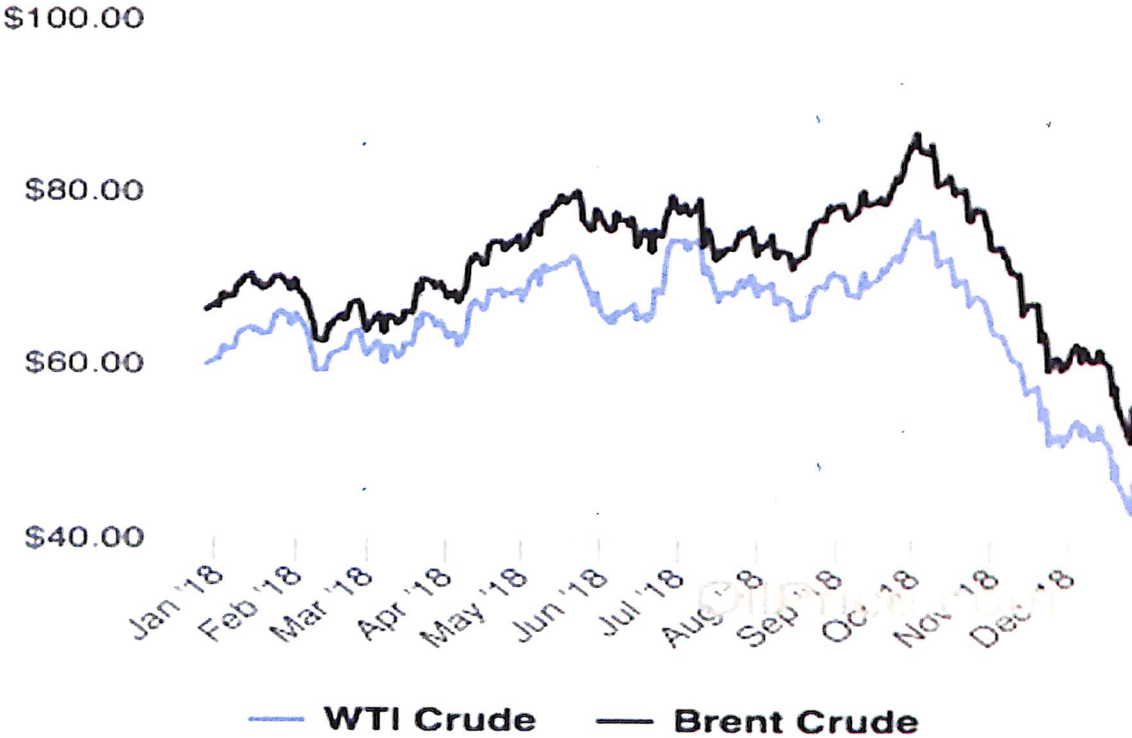
2.0.8 Fuel prices

High aviation fuel prices, rupee depreciation, excessive parking and landing charges, loads of debt and fare wars, even some inefficient operations, have been the millstones around the airline industry. Just last quarter there were indications that the industry was on the verge of a mild recovery, even though the distress is far from over. Airlines such as IndiGo, SpiceJet, GoAir and Air India continue to struggle when it comes to financial and operational performances. Air India's fleet is down by almost 20 per cent, and the 737 MAX grounding is the most unfortunate thing to have happened to the aviation sector. Six airlines that had bid under the UDAN scheme have shut down operations. With all these developments, the passengers will be affected because of lesser number of flights and higher fares. Ticket prices are already costing an arm and a leg on some sectors," says Mark Martin, founder of Martin Consulting.

Its rival carrier SpiceJet, which has been affected the worst by the recent groundings of Boeing 737 MAX 8, reported 77 per cent drop in net profits to Rs 55.1 crore for the same quarter. SpiceJet, which was flying 13 Boeing MAX 8 till recently, is likely to face issues with capacity additions. It has placed an order of 205 such planes, including 50 aircraft that the airline has the option to convert into a firm order later. Experts believe that external factors - fuel prices and rupee-dollar exchange rates - are difficult to control, and the current situation can be salvaged by the government by lowering import duties. "The government can lower the excise duty on jet fuel further (from 11 per cent now) to bring down the operational costs of the airlines. With the grounding of aircraft, the DGCA could make the wet leasing process easier, which is not the case right now," says an aviation consultant who doesn't want to be named.

While some parameters have improved, the outlook for the domestic sector looks weak. Australian aviation consultancy Center for Asia Pacific Aviation (CAPA) forecasts that Indian carriers will lose a collective \$550 million to \$700 million in the financial year 2020 as compared to an estimated \$1.7 billion loss for the 2019 year-ending in March. In a January note, ratings agency ICRA too had predicted a bad year for the aviation sector. "The profitability of all airlines in 2018-19 is expected to be weaker than in 2017-18.

Considering the example of different airline, where the airline industry is facing a large number of challenges. High aviation turbine fuel price is the challenge. At present, the cost of fuel for the Indian companies account for 45% of the total operating cost. High tax is being applied on aviation turbine fuel by the state government and this directly proves to be costly for the businesses operating in the market (Mallikarjun, 2015).



7.1 Illustrations Crude Oil Graph

This situation is not at all under the control of the airline companies in the market, as taxes and other forms of duties are imposed by the government, and the entire industry has to comply with

such practices in order to operate smoothly. Apart 18 from this, in the Indian market airport charges are also quite high compared with the other nations.

High service tax is another issue where, at present, 12.36% of ticket fares are for service tax. The range of aviation companies operating in the market mainly takes assistance of third party for different types of operations such as catering, aircraft maintenance, etc. (Grant, 2016). Therefore, the service tax on the air ticket and the services purchased by the operators in the airline industry adds to the operating cost.

2.0.9 Climate Change

At present, India is the world's ninth largest aviation market with more than 80 operational airports with 17 airports having international operations, more than 700 aircraft, 14 scheduled airlines and nearly 120 non-scheduled operators. Currently, India's aviation industry caters to nearly 122 million domestic and 47 million international passengers. Over the next decade, the market could reach 337 million domestic and 84 million international passengers. Therefore, the Indian aviation industry has a large potential for growth in the years to come.

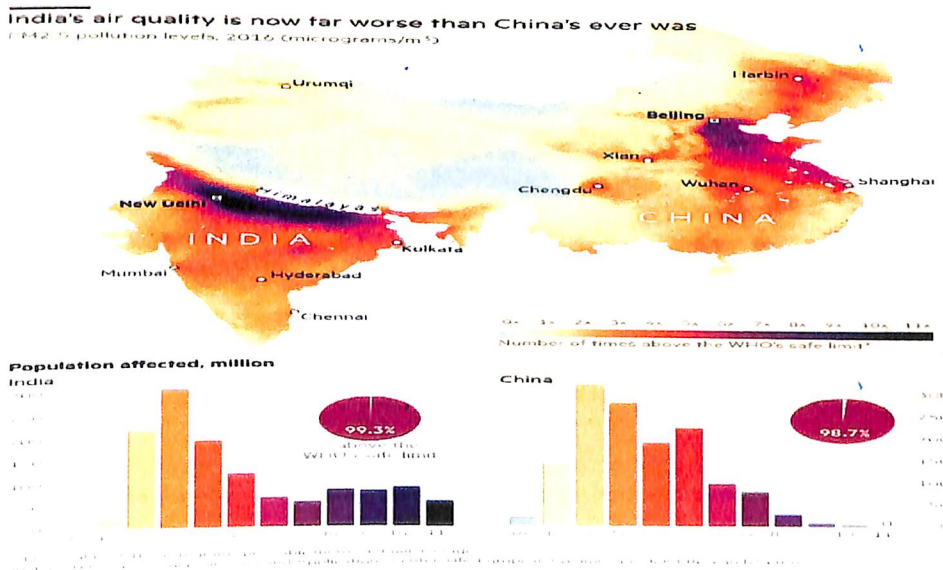
India continues to face the challenges of sustaining its economic growth while dealing with the global threat of climate change. This threat emanates from accumulated GHG emissions in the atmosphere, anthropogenically generated through long-term and intensive industrial growth of developed nations. Climate change may alter the distribution and quality of India's natural resources and adversely affect the livelihood of its people. With the economy closely coupled with its natural resources and climate sensitive sectors such as agriculture, water and forestry, India may face a major threat because of the projected changes in climate in the years to come. Global aviation's economic impact is estimated at 2.2 trillion US dollars, representing 3.5% of the worldwide Gross Domestic Product (GDP). The industry transports around 3 billion passengers every year and supports almost 57 million jobs. Within the Asia Pacific region, aviation represents a 470 billion dollar industry, transports 780 million passengers and supports 24 million jobs.

India is engaging actively in multilateral negotiations in a positive, constructive and forward looking manner with an objective to establish an effective, cooperative and equitable global approach based on the principle of Common but Differentiated Responsibilities (CBDR) and respective capabilities. The success of India's efforts would be significantly enhanced provided the developed countries affirm their responsibility for GHG emissions and fulfil their

commitments to transfer new and additional resources and climate friendly technologies to support both adaptation and mitigation in developing countries rather by imposing the same level of standards and requirements on all States to developed countries,

The carbon footprint represents an important tool to understand the sources and magnitude of carbon emissions of any industry or organization based on which future emission reduction policies/strategies can be formulated. In 2012 the DGCA completed the first-ever detailed carbon footprint of Indian aviation for the year 2011 (i.e., domestic operations, and Indian/foreign flights to/from India). It was released during the 50th DGCA conference held during October, 2012 and obtained significant recognition from the international aviation community. Since then, carbon footprint Report for Indian aviation sector is being developed annually for monitoring purposes. The salient features of carbon footprint report for 2014 are as follows:

- a) The total carbon emissions for 2014 was 16.4 million tonnes of CO₂;
- b) In 2014, global airline operations were responsible for the emission of 739 million tonnes of CO₂ representing 2-3% of global anthropogenic emissions;
- c) In 2014, major airports emitted 0.82 million tonnes of CO₂;
- d) India's total carbon emission from aviation represents less than 1% which is significantly lower than the global average;
- e) In the absence of any reduction measures, CO₂ emissions may reach 30 million tonnes by 2020;
- f) The internationally accepted efficiency indicator for carbon emissions is kgs of CO₂ per RTK. Continued efforts of DGCA towards reduction in carbon emissions has resulted in reduction of this value from 1.06 in 2011 to 0.95 in the year 2014 bringing it at par with the global average; and
- g) Overall, in 2014, CO₂ emissions from Indian scheduled passenger airlines has increased which is attributed to domestic operations by new airlines, introduction of new routes and an overall increase in aircraft movements by the airlines as well as passenger growth.



8.1 Illustrations India air quality

2.2 Summary

Airline companies to carry out external analysis on a continuous basis through PESTLE (Political environment, Economic factors, sociocultural factors, Technological changes, Legal issues, Environmental Aspects) as through this it is possible for them to know the external challenges that affect business operations. Through this, it is possible for the companies to take corrective actions well in advance to reduce the level of challenges and create favourable results for the business.

Every airline company must try to develop some unique service that is highly differentiated as through this it is possible to highlight some unique attributes in the service range and, in turn, will act as a development tool for the entire company. The reason behind applying this strategy is that the airline industry is highly competitive and at the global level, a large number of companies are operating in the market. Therefore, introduction of some advanced services can surely assist in attracting large numbers of customers towards the service range and this can be advantageous for the long term. Airline industry in India is very competitive and price conscious. Most of the people look for the price and very least look for the brand. There are very few people who are loyal customers of the airlines. Also most of these are high class business persons. People follow the promotional ads of the airline and look for the low price carrier. Now days Spice Jet is offering tickets at very low price. They are promoting their campaign as "Less than train fare". To give lowest price possible these airline companies are looking to cut the costs. Along with these they have to function at very less margin.

Chapter 3

3.1 Research Methodology

Research approach is denoted as the plan and actions for study that extend the steps from comprehensive assumptions to the detailed methods that would be used for the analysis, collection of data, and their interpretation. It also takes into consideration taking several decisions so that research can be carried out in an appropriate method (Banister and Booth, 2005). Research approach provides the base to the study and assists in attaining accurate findings as expected by the researcher. Basically, there are two different types of research approaches that have been used by the researcher for conducting the study namely inductive and deductive approach.

For the present study, the researcher has adopted the inductive approach in which they focus on general assumptions then come to the specific as it applies to the industry. The present topic focuses on assessing the key challenges faced by the airline industry. In order to assess the challenges, the researcher uses the help of the inductive approach, which the researcher has framed around the aims and objectives. With the selected research approach, the researcher explores new phenomenon related to the topic so that they can easily attain the objective of the study. It has been stated that this research approach is connected with the qualitative research that depends on the findings that is derived from the conducted literature review.

3.2 Research Design

Research design is defined as a plan or blueprint of the entire research that help the researcher to direct their actions accordant with the path so that they can attain desired result and objectives. Along with this, proper research design would help them in obtaining proper responses to the devised research questions (Hansen, 2011). In short, it can be stated that it provides direction to the researcher for their entire study. There are different forms of research design that must be used by the researcher for carrying out the study, which mainly includes descriptive, exploratory, experimental, and correlation research design techniques.

Through considering the present investigation, the researcher put an emphasis on selecting the exploratory research design technique. This technique is based on examining the data by the formulation of a hypothesis and finds the relation between variables (Dey, 2002). Along with this, the selected research design technique has also assisted the researcher in exploring the facts associated with the selected topics that are key challenges faced by the airline industry. The research purpose of this design is that it provides insights to information related with the situation. Therefore, the key benefit of implementing exploratory research design techniques is that it helps the researchers in exploring and discovering new information because of less restrictions in the methodology.

3.3 Data Collection

Data collection plays a pivotal role in the study as it assists the researcher in collecting and gathering information from the various sources that directly help them in gaining accurate findings. However, prior to collecting the data, the researcher focuses on determining what kind of data or information is required to attain the objectives and 30research questions.

There are two sources through which the researcher can easily collect the data and information and that is through primary and secondary sources (Banister and Booth, 2005). The key source of data collection is the primary source in which the researcher accumulates the raw data from the original source that increases the reliability and accuracy of the information. The key advantage of expending the primary source in the study is that this researcher helps accumulate the precise information that links with the title of this study. On the other hand, another source of data collection includes the secondary source that focuses on gathering information from the published journals and books. This form of data collection method is already published by the other authors and researcher. For carrying out the present study, the researcher focuses on both of these sources. For the primary information, the researcher engaged in devising the questionnaire so that they can easily accumulate the data and information (Amaratunga and et.al, 2002). On the other hand, the secondary source is also used within the study; in which the researcher reviews the articles and journals published by other authors. Therefore, with the help of using both the sources, the researcher would easily acquire the information regarding the key challenges and issues that are faced by airlines in the industry.

3.4 Survey Questions

Question 1: Do you think the present environment of the airline industry is feasible?

Question 2: Do you experience any issues in operational management?

Question 3: Do you think increasing competition is a challenge for the airline industry?

Question 4: Do you think customer expectation is one of the major challenges faced by the airline industry?

Question 5: Do you think that changes in fuel prices affect the airline industry on greater extent?

Question 6: Do you think that because of legal framework, a challenge in the airline industry is increasing?

Question 7: Do you perceive rising air traffic is one of the challenges in the airline industry?

Question 8: Which is the main area affected due to presence of challenges in the airline industry?

Question 9: Does your organizational strategy contribute in reducing the impact of challenges?

Question 10: Do you perceive marketing as one of the best option to deal with the challenge of competition?

Question 11: In your view, does high regulation in the airline industry acts as a barrier in conducting operations?

Question 12: Do you agree that increase in market price leads to more challenges in the airline industry?

Question 13: Do you agree that customers are developing negative perception about airline services because of the rising challenges?

Question 14: Do you agree that substitute products are increasing competition for the airline industry?

Question 15: Do you agree that challenges in airline industry have a direct impact on performance of the business?

Question 16: Do you agree that discount airline tickets have a direct impact on performance of the business?

3.5 Sampling Technique

The sampling is defined as an effective process through which the researcher easily selects the unit or sample from the entire population from whom they may easily acquire the data and information regarding key challenges that are faced by the airline industry (Scruggs and Mastropieri, 2006). However, the selected sample acts as the representative of the whole population from which they can easily draw the required information so that overall aims and objectives of the research can be easily attained. There are different types of sampling techniques that have been used by the researcher, which includes simple random sampling, stratified sampling, cluster sampling, etc. All these sampling techniques play a significant role within the study as it assists the researcher in selecting the proper sample for the study. The most commonly used sampling technique is simple random sampling in which the researcher randomly selects the sample from the overall population so that each and every participant has a fair chance of being selected into the sample. On the other hand, cluster sampling is also being used within the study as it is considered as a cost effective technique for selecting

the respondents for the study. For the present study, the researcher has adopted a sampled same employees from all airlines from the Mumbai Airports. Under this sampling technique, the researcher divides the whole population into groups known as strata. Each of the groups mainly relies on similar attributes and characteristics of the individual members (Novikov and Novikov, 2013). With the help of the stratified sampling technique, the researcher engaged in grouping the sample by employees of different airline companies from whom they would accumulate relevant information regarding the key issues and challenges faced by airlines in the industry.

3.6 Sample Size

The selected sample size for the present study is 101 respondents from more than 10 different airline companies from whom they accumulate the data and information regarding the airline industry. The selected samples are the current employees of airline companies that engage in performing day-to-day activities within the airline. However, airline operational managers are the ones that manage the external and internal environment so that they may easily assess the associated factors that drive challenges within the airline industry.

Chapter 4

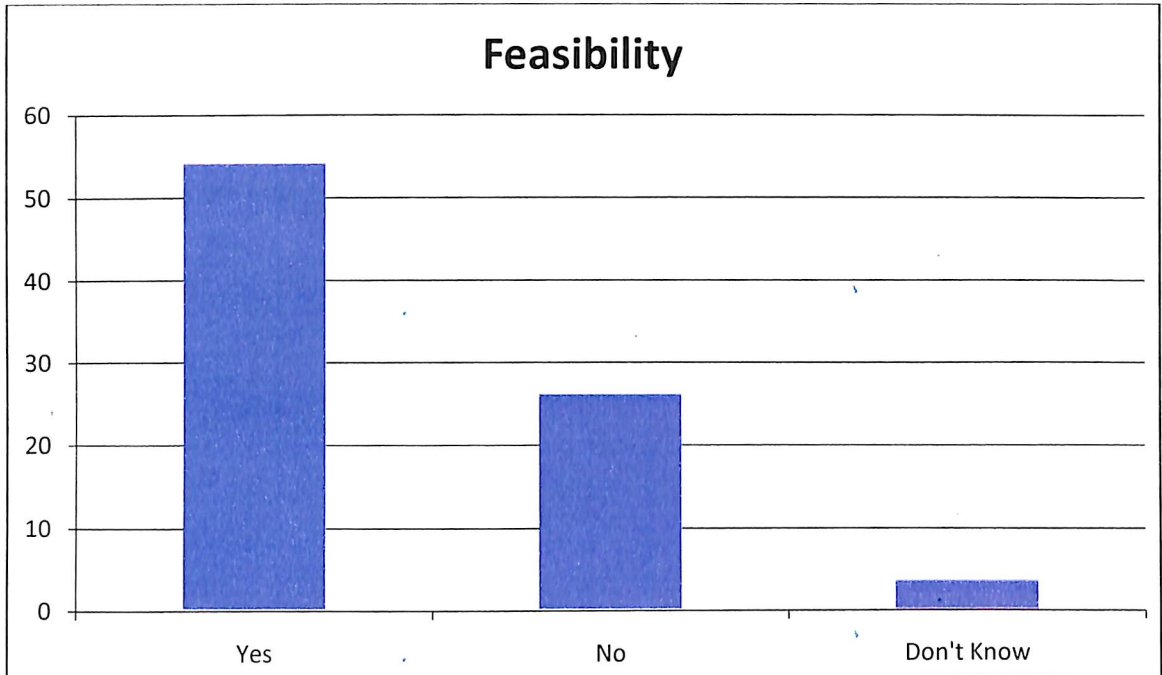
4.1 Analyse The Questionnaire

After collecting data, the researcher has analysed the data by using SPSS tool. For every closed ended question, the researcher has prepared a table by using that SPSS tool on the other side, responses are graphically represented by using charts. Each table provides information related to frequency, percentage, and cumulative percentage. The researcher has used bar charts and pie charts in order to present responses of each question graphically. A total of 101 respondents are being questioned via a questionnaire, each question is formed to fulfil each research question.

Question 1: Do you think the present environment of the airline industry is feasible?

Feasibility				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	54	53.5	53.5	53.5
No	26	25.7	25.7	79.2
Don't know	21	20.8	20.8	
Total	101	100.0	100.0	100.0

4.1 Table Feasibility for environment of the airline industry



4.3 Graph Feasibility for environment of the airline industry

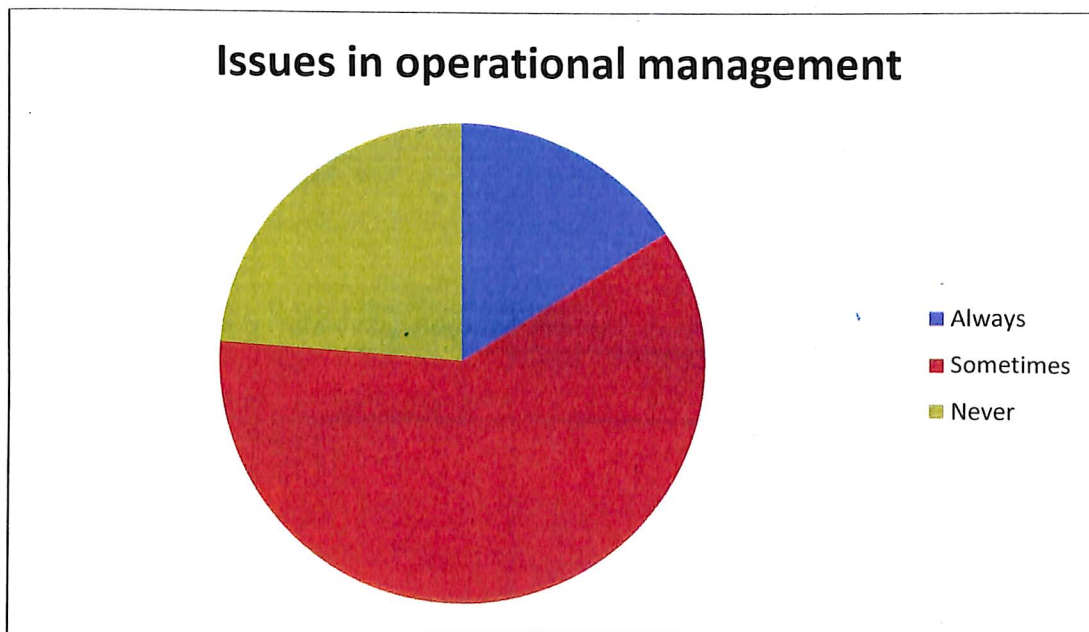
For the first question, the researcher asked respondents about their opinion on the airline industry's present environment. Out of 101 respondents, 53.5% believed the present condition of the airline industry is feasible enough and this allows the industry to add and introduce new services in the airline amenities. The present environment of the airline industry is regarded as feasible because there are many changes happening in the organizations that help in improving the performance aspects. However, 25.7% do not think that the present condition of the aviation industry is feasible. In the 21st century, aviation industries are not convenient enough in some areas across the globe because of the occurrence of different challenges and risks. They also added that they are experiencing innumerable issues and risks that impede their interest in working in the airline industry. Thus, through majority of responses, it is evident that though there are many challenges in the industry; still it has many dimensions based on which environment is being called as feasible. The remaining 20.8 % of respondents kept quite in that context.

Question 2: Do you experience any issues in operational management?

Operational Issues

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Always	16	15.8	15.8	15.8
Sometimes	61	60.4	60.4	76.2
Never	24	23.8	23.8	100.0
Total	101	100.0	100.0	

4.4 Table issues in operational management



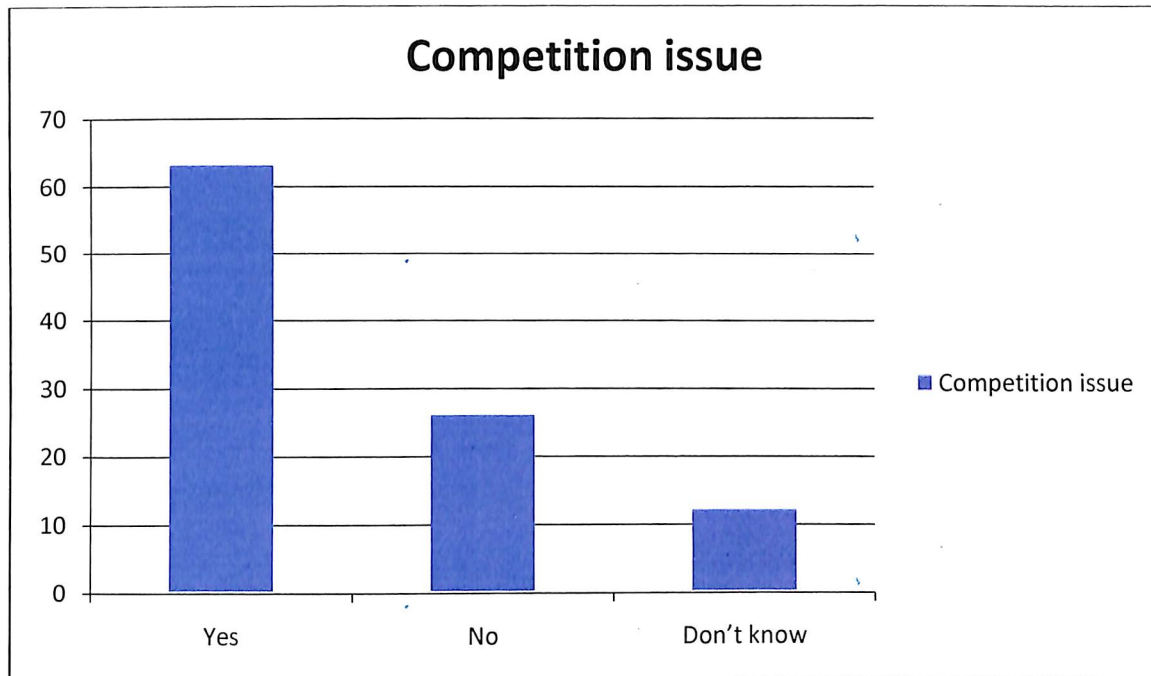
4.5 Issues in operational management graph

Respondents are being asked about their experience while working for their organization regarding operational issues. In that scenario, 15.8 % of respondents from more than 10 airline organizations have always faced issues relating to the company's operation. The challenges range from different aspects that affect the overall business performance. Moreover, 60.4 % of respondents sometimes face issues relating to business operations that affect the way of working. Issues in operational management changes the way of practices and this creates disturbance in organizational productivity. However, the remaining 24 out of 101 respondents have never gone through any issue relating to business operations. Nonetheless, it is clear that because of issues in operational management, people are unable to perform their activities and tasks. Along with this, they also added that the operations department is the major area of the airline industry because that defines the ways through which all the aspects should be carried out. The participants also said that due to operational issues organizational values are reducing; hence, it generates the need of new transformation in the business services. Thus, it can be articulated that issues prevailing in the airline industry should be resolved in the most effective way. This could have the impact on other business dimensions; hence, business situations should be improved.

Question 3: Do you think increasing competition is a challenge for the airline industry?

Competition issue				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	63	62.4	62.4	62.4
No	26	25.7	25.7	88.1
Don't know	12	11.9	11.90	
	101	100.0	100.0	100.0

4.6 Table competition in airline industry



4.7 Competition in airline industry graph

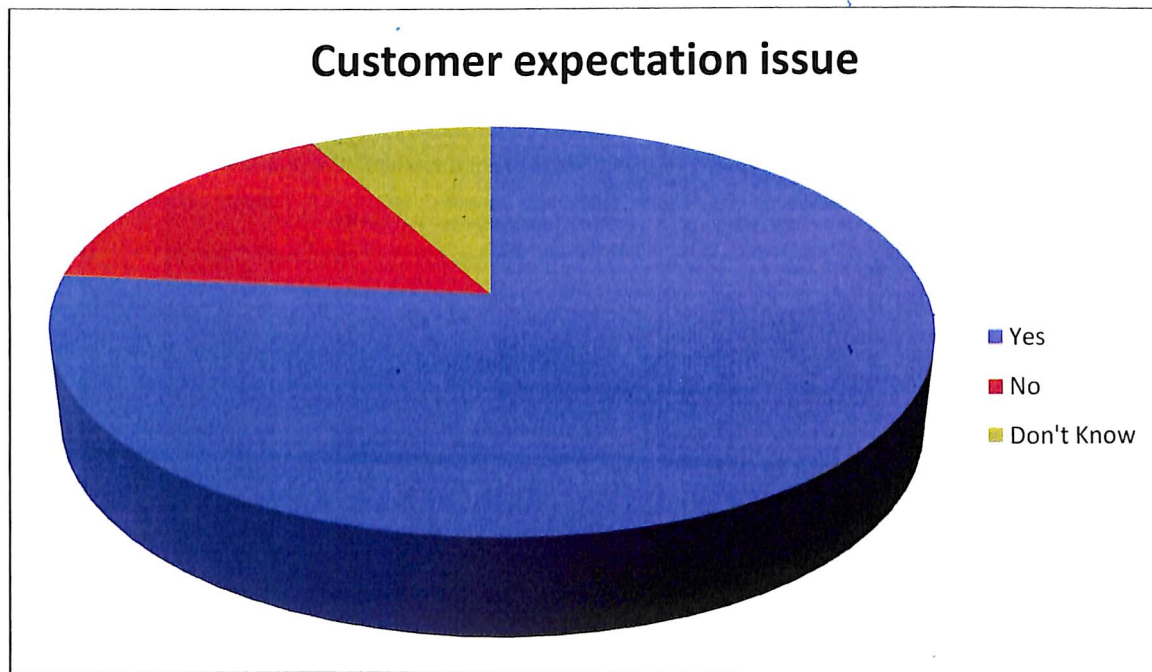
In this question, 62.4 % believed that currently their organization is going through issues relating to competition from other players. They also contended that because of increased competition, many entities have to downsize their operations, which also affect business positioning. Further, due to the need of heavy investment in the aviation sector, opportunities are decreasing. The service categories range from different dimensions and it is similar in all the airline companies. Thus, due to lack of innovation and creativity, the airline industry is suffering the most. Moreover, 25.7 % of respondents have not faced any competition related issues in their organization. The remaining 11.9 % of respondents do not have any knowledge about current competition that their company is facing. Thus, on the basis of above responses it can be said that due to competitive aspects the airline industry has to make a few changes in organizational dimensions. The airline industry needs to focus more on competitive pricing and strategies to create a competitive edge over the rivalries.

Question 4: Do you think customer expectation is one of the major challenges faced by the airline industry?

Customer expectation issue

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	77	76.2	76.2	76.2
No	16	15.8	15.8	92.1
Don't know	8	7.9	7.9	
Total	101	100.0	100.0	100.0

4.8 Table Customer expectation issue



4.9 Customer expectation issue graph

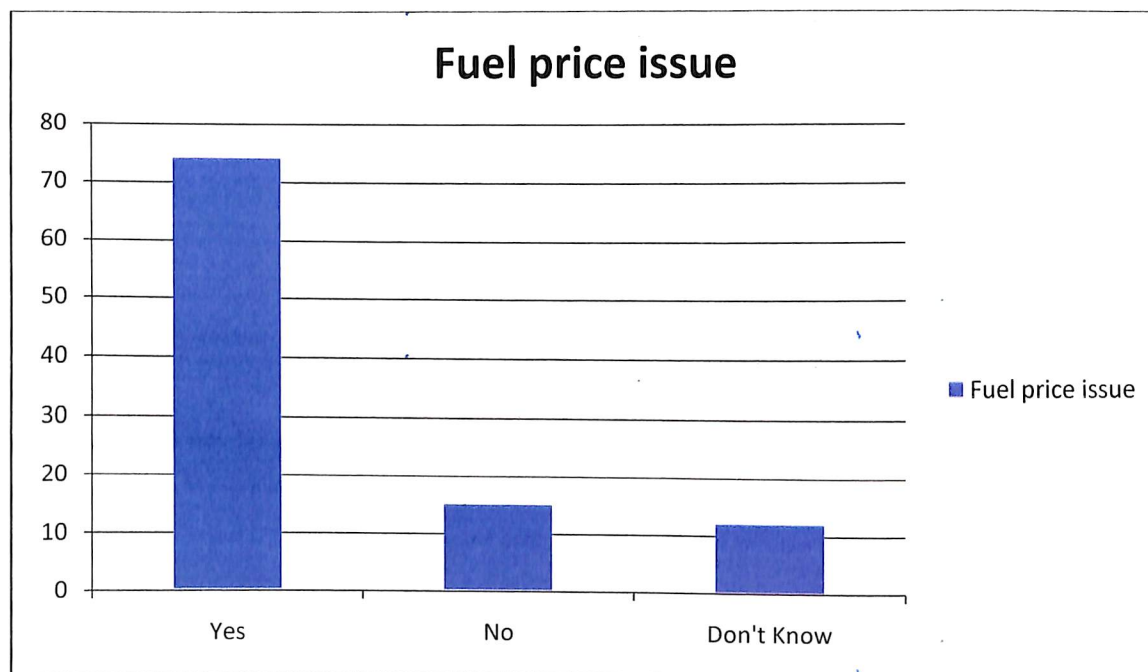
Apparently, needs and demands of customers have been changing and this leads the business entity to develop the provision of new services. Thus, while asking this question, out of all of the respondents, 76.2% have revealed that customers of their organization expect more than the actual service. However, 15.8% of respondents marked “no” and they said that it helps the industry to add new things in service provision, which also ensures better performance of the airline. The remaining 7.9% do not have any opinion relating to that particular issue. Thus,

articulating the responses it can be said that when needs and demands of customers' changes it drives the business to add new things in the service provision so that competition can be enhanced accordingly. They also added that if business fails to meet the needs and demands of customers, it again generates different issues and as a result, it leads customers to switch over to other companies. Thus, every other business airline industry should also give chief importance to preferences of customers.

Question 5: Do you think that changes in fuel prices affect the airline industry on greater extent?

Fuel price issue				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	74	73.3	73.3	73.3
No	15	14.9	14.9	88.1
Don't know	12	11.9	11.9	
Total	101	100.0	100.0	100.0

4.10 Table changes in fuel prices



4.10 Changes in fuel prices graph

Increasing the fuel price is one of the major problems that are faced by each organization that are involved with delivering transportation related services. 73.3 % of

respondents agreed that their organization is facing issues due to increasing fuel prices. On the other hand, 14.9% of respondents did not agree with that fact, and the remaining 11.9% have no idea about that issue.

Thus, from majority of responses it can be said that when prices of fuel changes, it greatly affects the operational values. Moreover, in this domain it is also crucial for the airline industry to focus on the fuel prices.

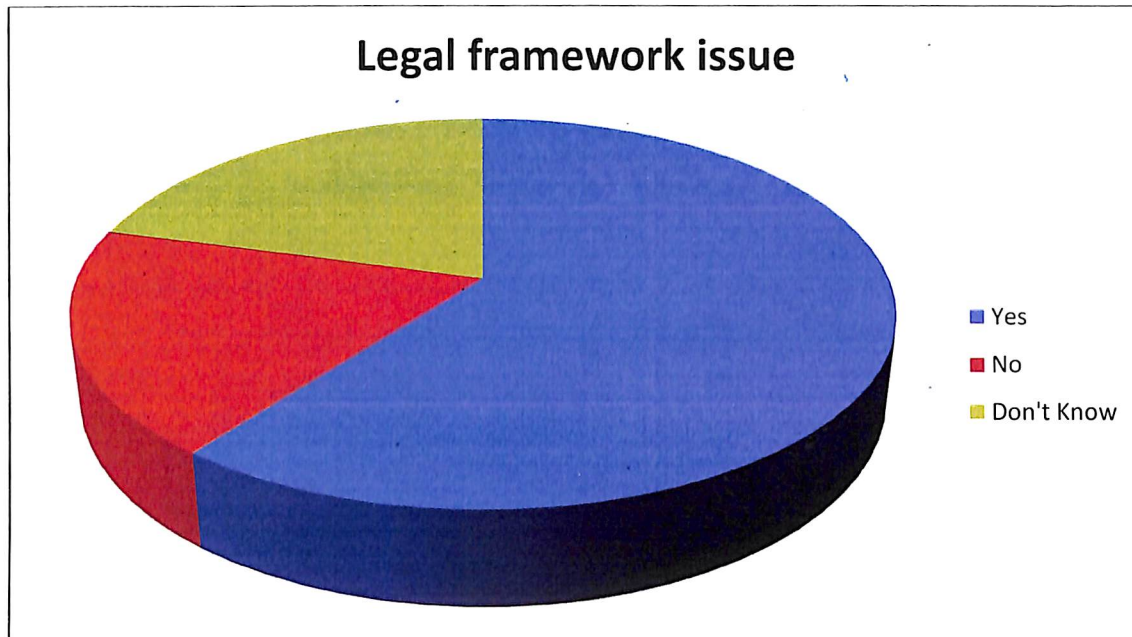
Changes should also be made in business prospects after ascertaining the value of fuel prices. This has also become an obstacle for the business in managing all its practices. The respondents also added that changes in fuel prices enhance production cost of the business. This is an uncontrollable force; therefore, the airline industry has no control over the same. Companies have to operate business in an effective manner so that instead of having changes in prices of fuel, all the activities can be managed effectively. This most often affects business performance and productivity aspects.

Question 6: Do you think that because of legal framework, a challenge in the airline industry is increasing?

Legal framework issue

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	61	60.4	60.4	60.4
No	19	18.9	18.9	79.9
Don't know	21	20.8	20.8	
Total	101	100.0	100.0	100.0

4.11 Table legal framework issue



4.11 legal framework issue graph

An aviation industry needs to go through numerous numbers of legal frameworks in order to sustain their business. In this question the researcher asked about influence of country's legal framework into their business. A majority of the respondents (60.4%) agreed that their organization is facing issues due to legal framework, however, 18.8% stated that legal framework is not an issue for their organization, and the remaining 20.8% said that they do not know anything about this; hence, they did not give proper response. Therefore, based on the majority of responses it is clear that legal framework creates more issues in the airline industry. The rules and regulations developed by the government are mandatory to follow; thus, it creates more burdens for the business entities.

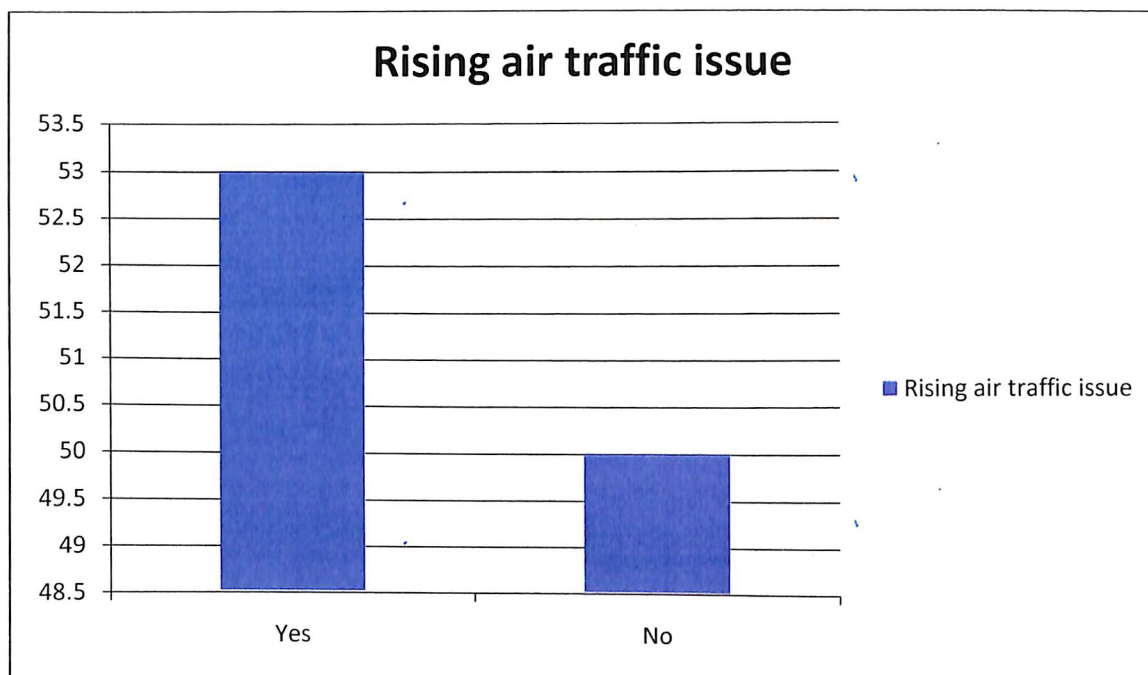
However, legal rules are developed so that business can function in a smooth manner. With the help of legal framework, hurdles and challenges in the business can be reduced. Therefore, it is clear that through legal aspects airline businesses can protect its functioning such as flight safety, passenger service, maintenance, or flight operations, etc.; but at the same time, it requires heavy investment in maintaining all legal dimensions. This way all the business dimensions of the airline industry can be handled effectively. Henceforth, instead of challenges, legal dimensions should be followed while managing different operations in the airline industry.

Question 7: Do you perceive rising air traffic is one of the challenges in the airline industry?

Rising air traffic issue

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	53	52.5	52.5	52.5
No	48	47.5	47.5	
Total	101	100.0	100.0	100.0

4.12 Table Rising air traffic issue



4.13 Rising air traffic issue graph

Based on information obtained from the 101 employees working in different airline companies, it has been found that a rise in the level of air traffic is one of the challenges faced by the airline industry. Further, it is a well-known fact that a large number of companies are operating in the airline sector and they are offering almost the same type of services in the market. So, in this case, the rising air traffic is acting as a

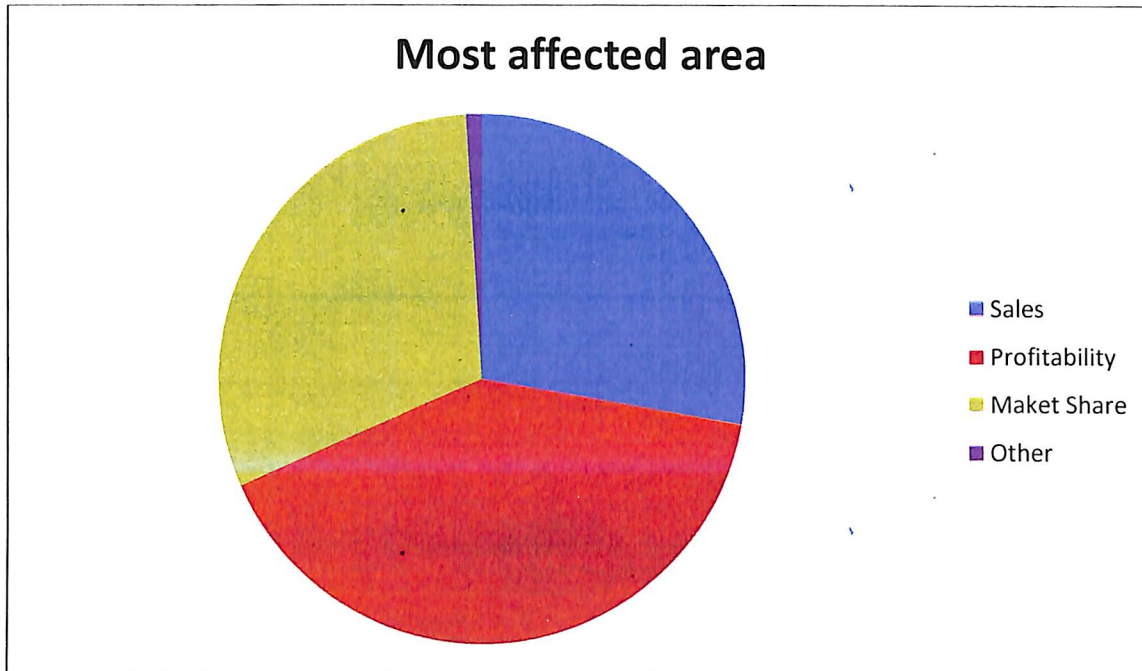
major issue of the airline companies operating in the market. Generally, an increase in air traffic acts as the challenge while expanding the major operations and in turn acts as the main hurdle for the companies. 52.5% of respondents replied that they are unable to deal with the issue of rising air traffic and it is not at all under control. On the other side, 47.5% of respondents said that an increase in air traffic is not an issue for them and some other challenges are present that are adversely affecting business productivity. Due to an increase in the level of challenge, not every organization able to focus on their goals and objectives such as expanding operations, enhancing profitability level, sales volume, etc. Therefore, with the help of this information it is quite clear that air traffic issues are a major factor in the airline industry.

Question 8: Which is the main area affected due to presence of challenges in the airline industry?

Most affected area

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Sales	28	27.7	27.7	27.7
Profitability	41	40.6	40.6	63.8
Market share	31	30.7	30.7	99.0
Others	1	1.0	1.0	
Total	101	100.0	100.0	100

4.14 Table Most affected area



4.15 Most affected area graph

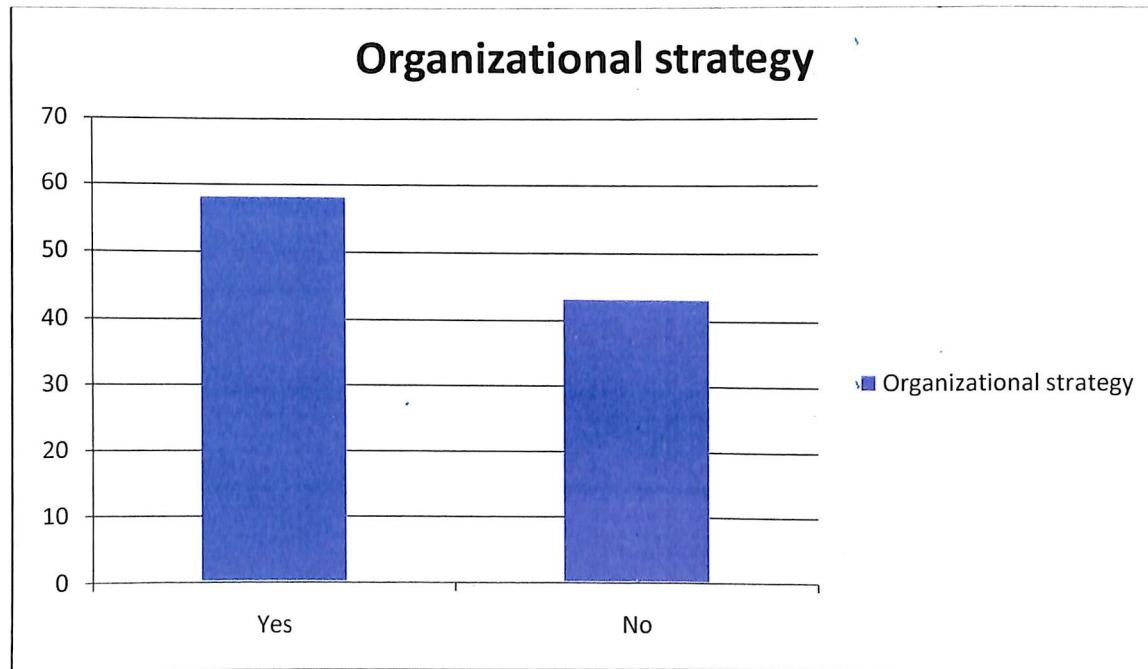
In this question, the researcher asked about major factors that have been affected due to the above mentioned issues. 27.7% of respondents stated that the sales department of the organization has been affected due to these issues. While 40.6 % of respondents believed that profitability of the firm has been affected due to these issues and, in turn, the cost of operations is not at all recovered. The issues, as per 30.7% of respondents, also have affected market share of the firm. The remaining 1 respondent out of 101 has stated apart from sales, profitability and market share, other departments also have a negative impact due to the issues. This question is also fulfilling the first research question of the current study.

Information obtained from the 101 respondents have confirmed that the range of challenges present in the airline industry affects profitability level, market share and sales volume of the companies operating in the market. As per the current situation, it has been observed that profitability in the aviation industry is mostly affected by various issues. No doubt, every airline company is operating in the market with the motive to earn adequate amount of profits. So, in this case, challenges, such as competition, have somehow reduced the market share of the businesses where they are not able to focus on their desired objectives. Apart from this, services rendered by every airline company in the market are almost the same. Therefore, a focus on enhancement of sales and profitability level has become necessary for every airline company, as through this, they can survive easily in the market for longer periods of time.

Question 9: Does your organizational strategy contribute in reducing the impact of challenges?

Organizational strategy				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	58	57.4	57.4	57.4
No	43	42.6	42.6	
Total	101	100.0	100.0	100.0

4.15 Table Organizational strategy



4.16 Organizational strategy graph

From the information gathered, it has been found that organizational strategy developed by the airline companies have reduced the impact of challenges such that

57.4% of the employees working in the airline companies are in favour of this. Further, every company has developed some strategies so that it is possible to deal with the different challenges that are faced at the time of conducting operations. For instance, to deal with the challenge of high competition in the market, companies have started to focus on their marketing and promotional strategies. Social media marketing has been mainly undertaken by the organizations through which they are able to promote their services to the target market. Through this, airline companies are somehow able to deal with the challenge of competition in the market. Moreover, some challenges are not under the control of the airline companies such as political, technological, etc. Other forms of challenge, such as human resource, are tackled properly by the company internally. On the other hand, 42.6 % of respondents have stated that their organization does not have a proper organizational strategy in order to tackle any uncertain situations.

Question 10: Do you perceive marketing as one of the best option to deal with the challenge of competition?

Perceive marketing				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	72	71.3	71.3	71.3
No	29	28.7	28.7	
Total	101	100.0	100.0	100.0

4.17 Table Perceive marketing



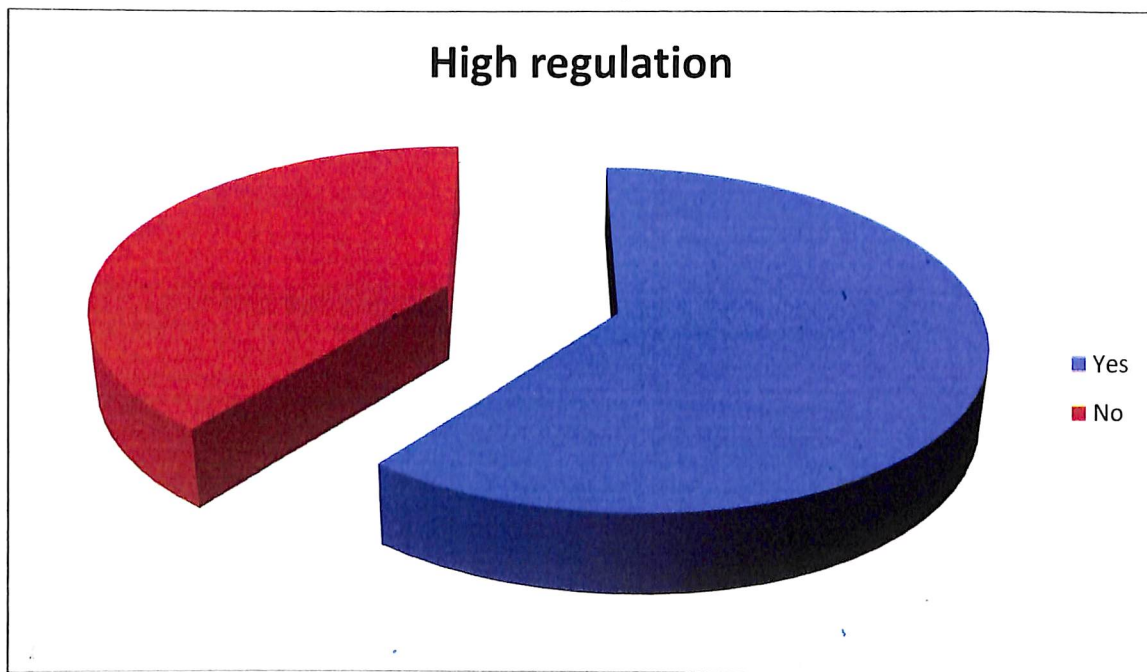
4.18 Perceive marketing graph

Perceived marketing is one of the most effective and important strategies a company chooses in order to handle any situations related to managing competition and maintaining its business flow. Further, a majority of the businesses are indulged into the practice of promoting their services through the sources available such as social media, advertisement, and other mediums. So, this has acted as the most beneficial tool for the companies operating in the market and has positively influenced the long-term performance. 71.3 % of respondents agreed that their organization has taken a perceived marketing strategy in order to handle situations. On the other side, 28.7% of managers involved with an organization do not perceive marketing as the best option. From the information gathered, it has been found that one of the best options to deal with the challenge of competition in the market is marketing and promotional strategies, as through this it is possible for the companies to highlight unique attributes in the product and service range. Moreover, it is a well-known fact that substitute of services in the market is easily available and due to this reason, every company has to highlight positive attributes in the service range. This is significant for every airline company operating in the market.

Question 11: In your view, does high regulation in the airline industry acts as a barrier in conducting operations?

High regulation				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	61	60.4	60.4	60.4
No	40	39.6	39.6	
Total	101	100.0	100.0	100.0

4.18 Table High regulation



4.19 High regulation graph

Every business must go through a certain number of legal aspects. As the airline industry is a public transportation service, which includes carrying risks. Therefore, this industry is involved with high regulations in the country's law. 60.4% of respondents

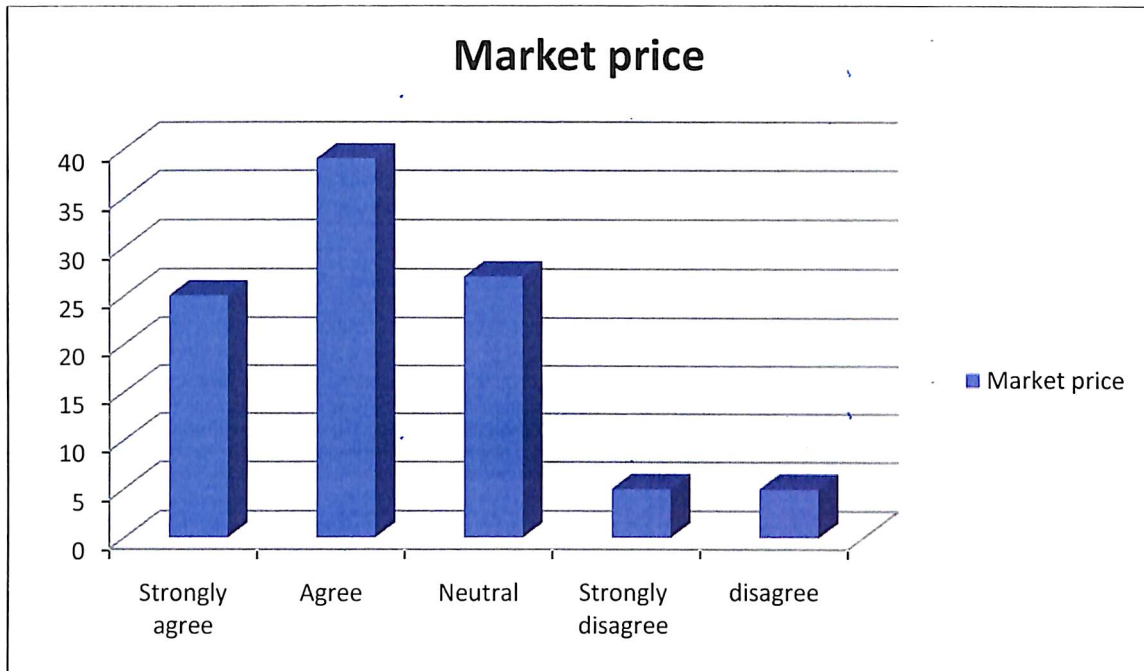
believed that complex and highly strict regulations are one of the key components that initiate issues in the airline industry. A majority of the regulations are linked with safety, payment of taxes and other form of duties. If any company does not comply with the government practices, then it directly acts as a hurdle while carrying out the major operations. Complying with each law is necessary in the airline industry and, through this, companies are able to manage their overall performance in the market. The impact of safety regulations is very high on the airline companies where they have to ensure that their fleet is quite safe so that customers can travel easily. In short, the burden of

government barriers is high on the airline companies and they have to plan their activities as per the government norms and regulations. On the contrary, 39.6% of respondents have not accepted this fact; moreover, they believe government regulations do not affect the industry.

Question 12: Do you agree that increase in market price leads to more challenges in the airline industry?

Market price				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	25	24.8	24.8	24.8
Agree	39	38.6	38.6	63.4
Neutral	27	26.7	26.7	90.1
Strongly disagree	5	5.0	5.0	95.0
Disagree	5	5.0	5.0	
Total	101	100.0	100.0	100.0

4.20 Table Market price



4.21 Market price graph

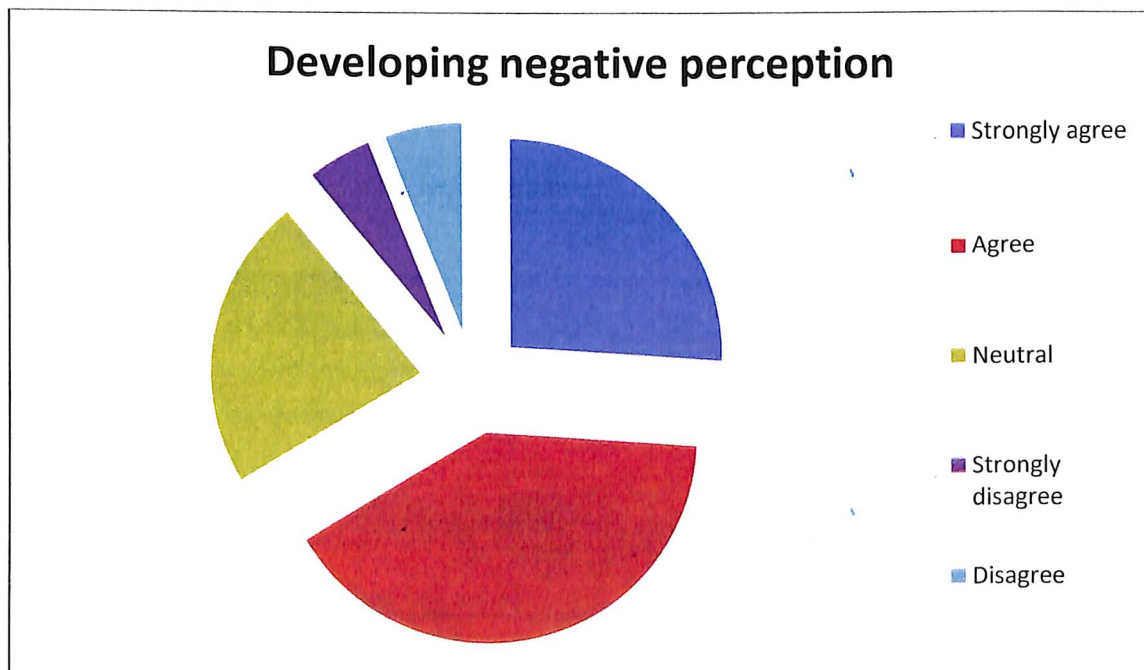
From the survey, 63.4% of respondents have agreed that rapid increases in the market price leads to more challenges in the airline industry. However, 10% of respondents believe that market price is not an issue for their organization. 26.7% of respondents remained quiet to that context. Increase in market price highly affects the airline industry, as incomes of each individual remain the same at the time of marketprice increment. Level of affordability is not influenced by an increase in market price. The respondents also argued that there are varied airline companies that are rendering services on high prices; hence, this raises demand and customers switch to other brands. Production cost is also increasing; therefore, this not only enhances the company's investment in other areas but also it becomes a complex issue in airline management. Contrary to this, due to price dispersion, business complexities have been increasing. Thus, the overall cost of managing all the operations in airline industry is high; therefore, this brings other challenges for the airline industry. Overall, it brings varied changes in organizational aspects which changes business performance.

Question 13: Do you agree that customers are developing negative perception about airline services because of the rising challenges?

Developing negative perception

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	26	25.7	25.7	25.7
Agree	41	40.6	40.6	40.6
Neutral	23	22.8	22.8	89.1
Strongly disagree	5	5.0	5.0	94.1
Disagree	6	5.9	5.9	
Total	101	100.0	100.0	100.0

4.22 Table developing negative perception



4.23 Developing negative perception graph

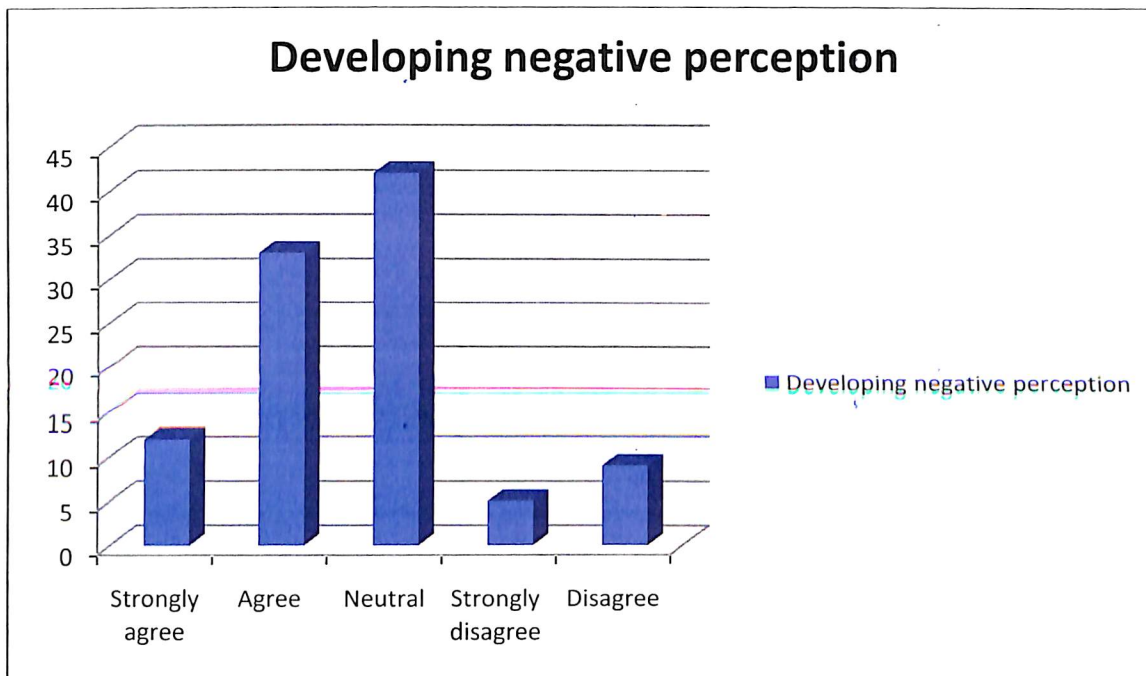
When challenges appear in the business, it affects the mindset of customers and it changes the way customers perceive the service domains. Out of the total respondents, 66.3% strongly agreed and agreed that customers are currently developing negative perceptions about the aviation industry. There are 10.9% of respondents disagreed; moreover, they feel customers have a positive perception about the aviation industry. The remaining 22.8% of respondents kept neutral while they were asked that question. They also added that customers who perceive negative aspects about the airline industry have a high impact on the environment of the airline industry. People perceive it negatively because the airline industry is highly responsible for air pollution.

In a modern scenario, people put a huge emphasis on environmental balance; therefore, it adversely affects the society. The concern towards the environment leads businesses to adopt all sorts of practices, which are eco-friendly. Thus, here it can be said that because of pollution and other aspects, customers are perceiving services of the airline industry in a negative manner. Therefore, it is evident that because of such facets, the value of the airline industry has been decreasing which affects the interest of end users.

Question 14: Do you agree that substitute products are increasing competition for the airline industry?

Developing negative perception				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	12	11.9	11.9	11.9
Agree	33	32.7	32.7	44.6
Neutral	42	41.6	41.6	86
Strongly disagree	5	5.0	5.0	91.1
Disagree	9	8.9	8.9	
Total	101	100.0	100.0	100.0

4.24 Table developing negative perception



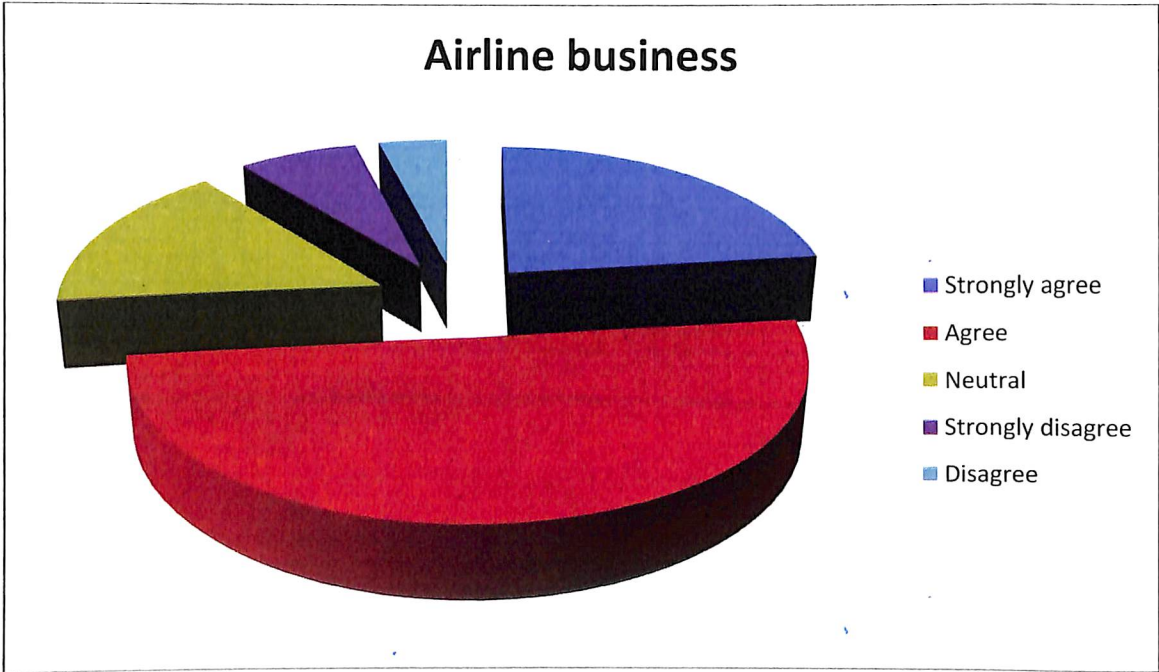
4.25 Developing negative perception graph

During this question, 12 respondents marked “strongly agree” and 33 respondents marked “agree”. From the responses, it became clear that when substitute products enter in the market place, it creates more challenges for the business. On the other hand, 9 respondents marked “disagree”, 42 marked “neutral” and the remaining 5 marked “strongly disagree”. It is an apparent aspect that when substitute products come in the market place, businesses have to experience various issues and challenges. This also affects customer base; moreover, customers also switch to different companies. The level of competition has been increasing in the airline industry because all the companies are coming up with the same products and services that affect the customer’s mind-set. Along with this, it can also be said that competition changes the demand of products and services and it affects customer’s preferences. There are varied substitute companies in the market place that have the same products and services which not only affect existing demand for services, but also it brings several transformations in the companies. Along with this, it is also identified that because of substitute products, companies invest more in innovative and creative services. However, there is less presence of proper substitute products and services in the airline industry. Still, transportation mediums, like trains and buses, are considered as substitute to that industry.

Question 15: Do you agree that challenges in airline industry have a direct impact on performance of the business?

Airline business				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	23	22.8	22.8	22.8
Agree	51	50.5	50.5	73.3
Neutral	16	15.8	15.8	89.1
Strongly disagree	7	6.9	6.9	96.0
Disagree	4	4.0	4.0	
Total	101	100.0	100.0	100.0

4.26 Table Airline business



4.26 Airline business graph

It is quite usual that challenges of any business negatively affect its financial business. During the study, the researcher asked about respondents' opinions regarding the same matter. Through the survey, it has been noticed that, 73.3% of respondents agreed that airline business is highly affected due to various business challenges. On the other side, 10.9% of respondents out of 101 have not agreed with the fact. Moreover, they feel that their organization has not faced any issues, which can affect their business. The remaining 15.8% of respondents kept neutral during that scenario.

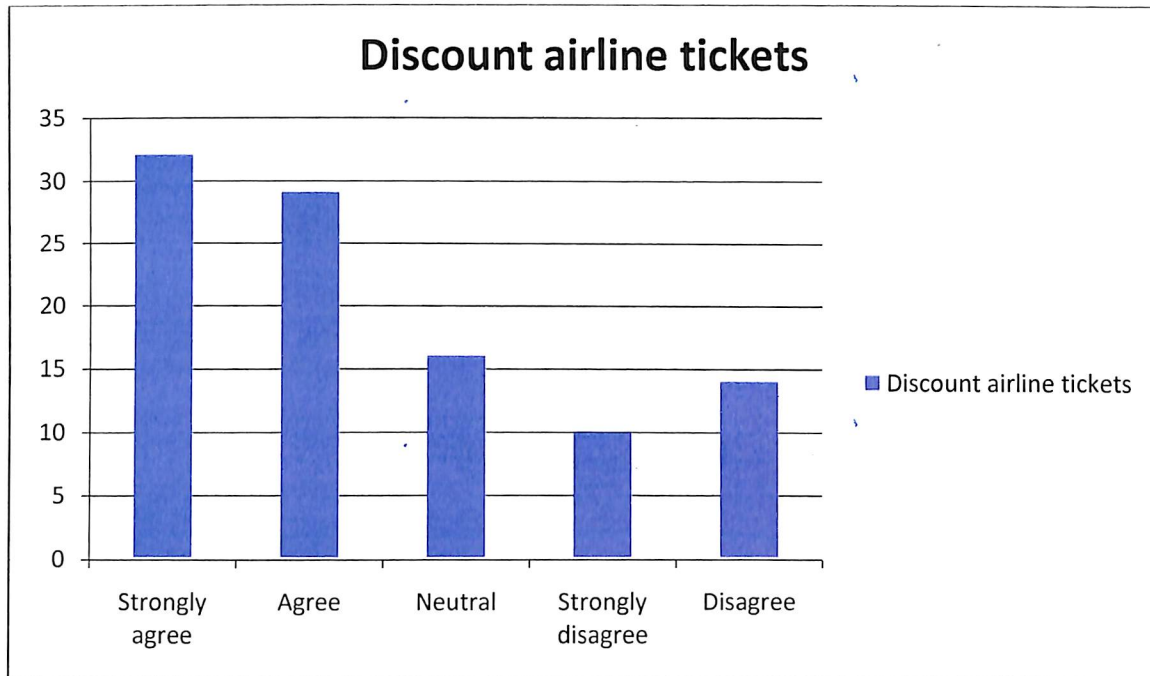
Along with this, the respondents added that when challenges and risks are not resolved in a stipulated time period, then it creates further risks for the airline companies. There are several dimensions based on which challenges appear in the business and which also impedes the performance facets. This includes business profitability, customer base, sales, and profitability. Henceforth, it is clear that there are varied dimensions that affect the overall performance of airline companies. Thus, business challenges should be resolved during the time it appears.

Question 16: Do you agree that discount airline tickets have a direct impact on performance of the business?

Discount airline tickets

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	32	31.7	31.7	31.7
Agree	29	28.7	28.7	60.4
Neutral	16	15.8	15.8	72.2
Strongly disagree	10	9.9	9.9	86.1
Disagree	14	13.9	13.9	
Total	101	100.0	100.0	100.0

4.27 Table Discount airline tickets



4.2 Discount airline tickets graph

Airline organizations periodically provide discounts offered to their customers in order to retain their old customers along with generating new customers. Other research has not given any clear picture about the impact on the organization while issuing these discounts. The researcher of the current study asked respondents about performance on the business while issuing discounted tickets. 60.4% of respondents have agreed that business performance is highly geared up whenever they issue discounted tickets. However, 23.8% of respondents have observed, due to issuing discounts in the ticket price, performance of the business does not get affected. 15.8% of respondents remained neutral to that context.

Chapter 5

5.1 Interpretation of Results

1. Explain the present scenario of the airline industry?

India's civil aviation industry is not only growing rapidly, it finally seems to have become a more mature market than at any time in the past. The number of players in the industry still remains fairly large but these are now the ones that will be there for the long run. The big changes expected in the current year are the strategic sale of public sector giant Air India and the emergence of numerous regional airports that will increase connectivity tremendously across the country. In addition, policy changes like allowing foreign direct investment in domestic airlines has changed the market landscape. Passenger traffic is also rising by leaps and bounds as consumers are shifting from rail to air in large numbers.

Anyone puzzled by how the Indian economy manages to grow swiftly while somehow failing to be prosperous could do worse than look at the state of India's airlines. Over the past four years, passenger growth in India has been rapid: The number of flights taken has increased between 15 and 20 percent per year. Demand growth this year is likely to be the highest in the world. Yet the industry itself hasn't benefited. Almost every Indian airline is struggling.

2. The aviation industry cannot keep-up with the rising fuel price?

Most analysts predict jet fuel bills to rise by double digits as a percentage of total costs as oil prices continue to rise slowly impacted by OPEC cutbacks. IATA estimates airlines fuel bill to rise to \$156bn, which will represent 19.6% of average operating costs. Despite rising costs, as mentioned above and shown in the chart, IATA has increased its estimates for 2018 industry net profit to \$38.4 billion due to strong demand, increased efficiency and reduced interest payments. Passenger numbers are expected to increase to 4.3 billion in 2018 with passenger traffic, measured in RPKs expected to rise 6.0% and the average load factor pushing up to a record 81.4%.

The business environment for airlines has deteriorated with rising fuel prices and a substantial weakening of world trade. In 2019 overall costs are expected to grow by 7.4%, outpacing a 6.5% rise in revenues. As a result, net margins are expected to be squeezed to 3.2% (from 3.7% in 2018). Profit per passenger will similarly decline to \$6.12 (from \$6.85 in 2018).

“This year will be the tenth consecutive year in the black for the airline industry. But margins are being squeezed by rising costs right across the board—including labor, fuel, and infrastructure.

Stiff competition among airlines keeps yields from rising. Weakening of global trade is likely to continue as the US-China trade war intensifies. This primarily impacts the cargo business, but passenger traffic could also be impacted as tensions rise. Airlines will still turn a profit this year, but there is no easy money to be made,”

airlines will deliver a net profit of \$6.0 billion (down from \$7.7 billion in 2018). That represents a net profit per passenger of \$3.51 and a net margin of 2.3%. The region is showing very diverse performance. Accounting for about 40% of global air cargo traffic makes the region the most exposed to weakness in world trade, and that, combined with higher fuel costs, is squeezing the regions' profits.

3. Is low cost carrier the future of aviation industry?

The objective of the Global Megatrends and Aviation Forum is to bring the brains and experience of top aviation executives together to develop a plausible investigation of potentially disruptive megatrends and to co-create a shared vision of the future.

The three leading Indian LCCs - IndiGo, SpiceJet and GoAir - are each expected to report record profitability in FY2020," the Centre for Asia Pacific Aviation (CAPA) said in its report 'CAPA India Quarterly Market Insights'.

"IndiGo alone could be on track to report a profit of USD 400-500 million. Meanwhile the combined fleet size of Indian LCCs is expected to cross 500 aircraft this year," CAPA added. Overall, the domestic traffic growth will be "muted", with full-year traffic growth expected to be below five per cent year-on-year, it said. CAPA said that after Jet Airways' shutdown, "recovery in the international sector may take 1-2 years".

As a result, CAPA said, "SpiceJet is strengthening and emerging as the clear number 2 airline in the market. Within 12 months, its domestic market share could approach 25 per cent, a size that accords it strategic importance in the sector."

"This is a tremendous achievement for an airline that was within hours of closure less than five years ago," it said in the report. "As a result Indian carriers - particularly IndiGo and SpiceJet, but also GoAir - will increase their focus overseas," the report said.

Indian LCCs are expected to deploy 40 additional narrow-body aircraft on regional international routes in 2019-20.

4. What are the ways through which the airline industry can overcome challenges and attain better growth?

The air transportation system is changing and will continue to change. Over the long term, however, it will be difficult for the air transportation system to change rapidly enough to meet changing requirements related to capacity, environmental effects, consumer satisfaction, safety, and security, while meeting ongoing requirements for the economic viability of service providers. Most efforts to increase system capacity are focused on evolutionary or incremental changes that address specific constraints while aircraft are en route, in terminal areas, or on the ground at airports. For example, parallel arrival streams may be used when airport visibility is restricted to restore capacity to levels typical of clear weather (VMC, or visual meteorological conditions). Another option would be the use of advanced systems to adapt traffic flow in response to convective weather fronts to minimize or eliminate reductions in capacity. Meeting demand over the next 25 to 50 years, however, is likely to require a more revolutionary approach that seeks to increase capacity significantly beyond the level that the system currently enjoys even under ideal weather conditions. This may require completely different system operating concepts. The key point is that long-term goals may need to focus on fundamental, revolutionary structural changes in the air transportation system. One approach to defining future operational concepts is to propose solutions to shortcomings in the current system. To facilitate revolutionary change, however, a better approach would be to begin with a vision of the capabilities desired for the air transportation system of the future and then investigate how to provide those capabilities.

Chapter 6

6.1 Conclusion

From the study carried out, it can be concluded that there are large number of issues and challenges that are being faced by the companies operating in the airline industry. At present, conducting a smooth flow of all operations and activities is no longer an easy task for companies. The issues and challenges resulted in creating different types of obstacles for businesses in terms of achieving desired objectives and aims. Companies are required to make changes in their strategies and overall action plans at regular intervals due to the present working environment of the airline industry. Here, adequate cooperation and efforts from the staff members is essential to cope with the business environment, which is changing at a rapid pace.

From the information collected through primary and secondary data, it can be inferred that the businesses in the airline industry have also started facing issues linked with operations management. The rising competition, prices of fuel and rate of staff turnover can be termed as the main operational issues, which companies operating in the airline industry are presently facing. Due to the high demand of airline services, the consumption of fuel has increased to a great extent. At the same time, rising prices of oil have resulted in developing different kinds of obstacles for the organizations that are operating in the selected industry. The pressure of operating with low price strategy is constantly increasing due to new entry of different low cost airlines in the sector.

Companies are not able to determine suitable strategies to attract new customers and retain the old ones in every possible manner. The data collected from different sources also reflects the fact that a majority of the companies is facing issues linked with declining sales, profitability and customer base because they are not able to meet the expectations of the customers. It is suggested that the business should conduct market research at regular intervals to identify the changing need and demand of people or potential customers in the target market. However, organizations do not emphasise on carrying out market research because it consumes lots of time, resources, and efforts. Market research is now essential because it can provide businesses with information about changing customer demand and market trends. Based on the information or data collected, companies can carry out adequate changes in their business strategies and services to meet the customer demand in the best possible manner.

From the study conducted above, it can be inferred that businesses operating in the airline industry are losing their market share and customer base due to their failure of meeting customer expectations. Furthermore, the cost of carrying out business operations is very high and at the same time, these organizations are required to offer products and services at prices that are low. This creates complications for companies in terms of managing their overall operations and business activities in the long run. The data collected from secondary sources reflects the fact that the airline companies have carried out price discrimination which is ultimately affecting the customers present in the industry. For instance, brands such as Spirit are charging extra money from customers for check-in luggage whereas airlines such as Southwest are offering these kinds of services

at prices that are conveniently very low as compared to other brands operating in the marketplace.

The information collected using different sources also highlights that the businesses in the airline industry are facing challenges linked with fierce competition. Nowadays, people or customers in the target market have a large number of options and alternatives to choose from. Here, attaining a high degree of satisfaction among customer has become a very complicated and a challenging task for organizations. In situations where customers are not satisfied with the services offered by a particular airline then they will prefer to use the services offered by other brands in the market. The adverse impact of this situation can be observed on areas such as sales, profitability, and existing customer base of a business enterprise.

On the other side of this, the fluctuations in prices of oil have also emerged as a big challenge for all the companies operating in the sector. Fuel is considered as one of the most important elements required for smooth functioning of the airline business. However, the drop down in prices provide companies with an opportunity to enhance their volume of profit, whereas, an increase in the price of fuel directly results in lowering the profit volume of these businesses. Now, the most important challenge is linked with maintaining the desired volume of sales, revenue, and profitability. Here, the airline brands are required to develop effective strategies and action plans to attain desired objectives of sales and profitability. At the same time, adequate monitoring of those strategies and plans is required to make sure that the company is heading towards the right direction.

Another issue identified by the researcher is associated with the increase in market price, which makes the overall industry more competitive. The figure of sales and profitability tend to fall when companies start offering the airline related products and services at high prices. It becomes very complicated for businesses that are operating at the small scale to manage their operational cost and attract the desired number of customers in the long run. It can be also expressed that big business may not face many complications in dealing with issues such as rising cost but for a small enterprise, it is very difficult to deal with challenges linked with intense competition.

The companies are also required to carry out changes in their existing technology to stay competitive in the marketplace. It can be stated that it is not an easy task for businesses, as they are required to invest a large number of resources during that time. Sometimes, these companies face issues such as employees' resistance to change where the staff members are not ready to cope with changes that are being carried out at regular intervals. An adequate amount of financial resources is required by organizations to implement new technology or up-grade the existing ones. However, it can be inferred that it becomes very complicated for companies to arrange financial resources in situations where profit margins are very low due to intense competition. The challenges faced by the airline industry are very high and businesses are required to develop effective strategies to deal with these issues and challenges. To attract adequate customers and carry out smooth flow of operations, effective strategies are now essential for brands operating in the airline industry.

It can be concluded that a negative perception has been developed among customers because of the challenges and issues faced by companies. The overall brand

image of airline businesses has been adversely affected by these issues. This can be considered as a major threat for all the small and large scale companies that are operating in the marketplace. An adequate support and assistance from all the external and internal stakeholders is now vital in terms of achieving the desired growth and success within the entire industry. Customers are considered as a king of every industry and thus, all the strategies should be developed by keeping the changing need and demand of customers in mind. However, sustainability is another major challenge all the businesses in the airline industry are facing. The pressure to adopt more sustainable practices within operations and activities is constantly increasing and this has emerged as a big problem for the entire industry.

The carbon emission and pollution emerged due to airline operations and is considered a major threat for the overall environment. It can be stated that increasing pollution has also resulted in enhancing the degree of global warming. A negative perception about the entire airline industry has been developed due to the harm that airlines have caused to the overall living environment. The air traffic has increased to a great extent and this has resulted in causing delays in flights. The ultimate impact of this can be seen overall in the degree of customer satisfaction. Flight delays also encourage customers to switch to the services offered by other companies in the marketplace. Different types of strategic plans are developed by businesses but, still, today companies are not able to attain desired results. Small airlines are expanding at a rapid pace and it is expected that in the future, the competition will become more intense within the industry. The rate of staff turnover is also increasing and nowadays, it has become very complicated for airline organizations to develop effective strategies that can reduce the rate of employee turnover. The causes of employee turnover include lack of growth opportunities, inadequate pay, and frequent changes and growing practices of discrimination within the entire industry. Most of the time, the staff members are being discriminated on the basis of different demographic variables such as age, gender, cultural and educational background. These kinds of situations develop a high degree of dissatisfaction among workers and also results in hampering their productivity to a great extent. To deal with the issue of discrimination, effective plans and policies can be developed and implemented by companies.

Strict regulations and anti-discrimination practices can play a very critical role in dealing with issues linked to discrimination. To overcome these challenges linked to increasing staff turnover, the companies operating in the airline industry are required to focus on offering satisfactory pay and better working conditions. At the same time, companies can put more emphasis on conducting training and development sessions for the staff members. The advantage of such sessions is that they will provide workers with adequate opportunities for personal growth and development. In addition to this, the employees will be able to learn about different tools and techniques of change management, which can be taken into consideration to cope with the technological changes businesses carry out at frequent intervals.

6.2 Scope for Future Work

The future of the airline companies is to carry out external analysis on a continuous basis through PESTLE (Political environment, Economic factors, Sociocultural factors, Technological changes, Legal issues, Environmental Aspects) as through this it is possible for them to know the external challenges that affect business operations.

Through this, it is possible for the companies to take corrective actions well in advance to reduce the level of challenges and create favourable results for the business.

Every airline company must try to develop some unique service that is highly differentiated as through this it is possible to highlight some unique attributes in the service range and, in turn, will act as a development tool for the entire company. The reason behind recommending this strategy is that the airline industry is highly competitive and at the global level, a large number of companies are operating in the market. Therefore, introduction of some advanced services can surely assist in attracting large numbers of customers towards the service range and this can be advantageous for the long term.

Financial related challenges are also mainly faced by the airline companies and to reduce the level of financial issues, it is necessary for the firms to indulge into the practice of financial planning. Through this technique, it will be possible for the companies to satisfy financial needs of the business in the best possible manner. Apart from this, budgeting techniques can also be undertaken such that airline companies can satisfy their future financial need and forecasting of future expense can take place easily. Government laws and regulations play a significant role in the airline industry and it is necessary for the companies to ensure well in advance that its practices are in accordance with the government regulations. It is recommended to comply with the government guidelines so that long-term performance of the company can be well maintained.

Marketing and promotion of services must be mainly carried out with the help of social media, as the effectiveness of this source is quite high as compared with others. Through social media, every company can highlight unique attributes in its service and it will have a positive impact on the long-term performance of the businesses operating in the market.

It is recommended to focus more on marketing activities as in the competitive market it is one of the most effective modes through which airline companies can maintain their market share and they can easily operate for longer period of time.

Competitor analysis must be carried out on a continuous basis so the airline companies can plan the strategies to deal with the different challenges involving technology, competition, political, etc.

For airline companies that are offering services at a very high price, it is recommended to offer some additional benefits to the customers such as discounts, and other forms of offers can be introduced through which monetary benefits can be delivered to the target market. This will support the company in retaining customers for longer periods of time and this can act as a development tool for the businesses.

Human resource related challenges are also critical and affects the efficiency of the airline company. So, in order to manage human resource related issues, it is

recommended the companies adopt some motivational tools, like reward strategies, which can be introduced for managing workforce in a proper manner.

A democratic leadership style must be adopted such that the employees can be easily involved in the major operations of the business that will create favourable outcomes for the companies in the best possible manner.

Substitute of every airline service is easily present at the international level and this is one of the main reasons every company is required to introduce some unique service for attracting customers and satisfying their need in the best possible manner.

The challenge faced by the airline company is rising cost of operations and in order to tackle this issue, it is necessary for all the companies to identify the main areas where it is possible for them to reduce the overall cost associated with carrying out the major operations. This will have a positive impact on the profits of the company, as adequate amounts of funds will be left with the company for carrying out the main operations.

Proper maintenance of aircraft and fleet must be carried out on a continuous basis so that safety related challenges might not arise. Government pressure regarding adoption of safety practices is high and due to this reason every airline company has to take corrective action for ensuring that its fleets are safe to travel. This will also somehow assist in managing the overall performance of airline companies in the market.

Rise in fuel price is also one of the challenges in the airline industry. Therefore, to tackle this issue it is recommended to the airline companies to allocate large funds in fuel and other operations that are significant and they can focus on reduction of other expenses. So, in this case, if fuel prices rise at a faster pace than companies can handle, such situations will affect the profitability level less.

For dealing with the challenges in a better manner, it is required for the top management to take advice of the operation staff and other employees that are working in the company. Obtaining more and more suggestions from the employees working in the company will surely bring positive results for the firm. Every staff member will give new ideas for the betterment of the company and it will easily allow the company to tackle different issues present in the business environment.

Proper market analysis must be carried out on a continuous basis to know customer preferences and changing trends for understanding customer needs. In the competitive market, it is necessary for the airline companies to know the need and requirement of the customers as it changes rapidly.

Further, loyalty programs and customer engagement practices must be developed on continuous basis so the customer can be easily encouraged to purchase services of any specific airline industry and it will bring different types of benefits for the airline company such as a strong customer base, positive brand image, etc.

It is recommended for the airline companies to introduce some form of customer feedback system like obtaining feedback from customers through their personal email or within flights, etc. This will assist a lot in understanding whether customers are satisfied with the services rendered to them or if any type of modification is needed. Apart from this, feedback of the customers will also assist companies in dealing with the issue of competition prevailing in the market and it will act as a development tool for the businesses.

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6.5 Appendix: Interviewer Script

Q1. Do you think the present environment of the airline industry is feasible?

- Yes
- No
- Do not know

Q2. Do you experience any issues in operational management?

- Always
- Sometimes
- Never

Q3. Do you think increasing competition is a challenge for the airline industry?

- Yes
- No
- Do not know

Q4. Do you think customer expectation is one of the major challenges faced by the airline industry?

- Yes
- No
- Do not know

Q5. Do you think that changes in fuel prices affects the airline industry on greater extent?

- Yes
- No
- Do not know

Q6. Do you think that because of legal framework challenges in the airline industry is increasing?

- Yes
- No
- Do not know

Q7. Do you perceive rising air traffic is one of the challenges in the airline industry?

- Yes
- No

Q8. Which is the main area affected due to presence of challenges in the airline industry?

- Sales
- Profitability
- Market share
- Other

Q9. Does your organizational strategy contribute in reducing the impact of challenges?

- Yes
- No

Q10. Do you perceive marketing as one of the best option to deal with the challenge of competition?

- Yes
- No

Q11. In your view, does high regulation in the airline industry acts as a barrier in conducting operations?

- Yes
- No

Q12. Do you agree that increase in market price leads to more challenges in the airline industry?

- Strongly agree
- Agree
- Neutral
- Strongly disagree
- Disagree

Q13. Do you agree that customers are developing negative perception about airline services because of the rising challenges?

- Strongly agree
- Agree
- Neutral
- Strongly disagree
- Disagree

Q14. Do you agree that substitute products are increasing competition for the airline industry?

- Strongly agree
- Agree
- Neutral
- Strongly disagree
- Disagree

Q15. Do you agree that challenges in the airline industry have a direct impact on performance of the business?

- Strongly agree
- Agree
- Neutral
- Strongly disagree
- Disagree

Q16. Do you agree that discount airline tickets have a direct impact on performance of the business?

- Strongly agree
- Agree
- Neutral
- Strongly disagree
- Disagree