

# Air carnival industry influence analysis and company's prospects for further deve...

[Engineering](#), [Aviation](#)



## Summary

Air Carnival has over the last half a decade transitioned into one of the companies with the greatest potentials both in India and globally. The airline became a great potential when it commenced operations in 2013 as a charter airline (Jain & Natarajan, 2015). The management argued that the airline was quite lucky to enter the business at a time when the industry was developed, and the stakeholders had numerous sources to learn from regarding operations at local and international level. Moreover, Air India has been quite resourceful and hence a mentor and a pathfinder for the upcoming company. The initial stages were quite rocky, but that is a general expectation for most businesses in the commencement stage. The promoters of the company were set to sell the company in 2017 as it was struggling to survive. It operated ten domestic flights, and there was a need to expand its fleet to sustain operations. Despite the availability of established tracks for the company to operate, it was not able to meet operation costs requirement. The company started active operations in 2016 with a single ATR-72 aircraft. Coimbatore Marine College group was the sole promoter of the airline but later realized that it could not keep on operations and hence the need to sell.

The company received its first aircraft in April 2016 before attaining certification on 4th of July the same year. The first flight was on 18th of July of 2016, and since then the company had been operating a single aircraft (Deeppa & Ganapathi, 2018). One year later on 3rd of April 2017, the groups CEO announced that they would sell 100 percent stake of the airline. Since

July 2017, the company has been under the management of angel investors. The investor company had the same objectives as the founding partners, to serve India's domestic market and allow flight access to the least served areas. Angel investors had the wherewithal to keep the company alive and inject more funds towards the survival and improvement in profit margins. Today, Air Carnival is operating on a break-even basis and has partnered with other airlines both domestically and internationally to boost its operations and widen its customer base. Although the profit margins are considerably low, the management has been focusing on improved marketing and advanced strategies to minimize the possibilities of incurring any losses in the future.

**Current market situation: Problem to be solved**

The market scope has been the greatest challenge for Air Carnival. At the time of commencement, it appears as if the founding group did not conduct extensive research regarding the market it intended to serve versus the resources it needed to operate the business (Deeppa & Ganapathi, 2018). The market was available, but it was not enough to pay for the aircraft lease, fund the technology for operations and offer salaries to the employees. The angel investment group acquired the business and came to its rescue; else it would have been disappeared given its operation trends at the time of the sale of its 100% stake (Deeppa & Ganapathi, 2018). Despite the advancements including partnering with other major flights that the angel investment group has made, the airline needs to focus on expanding its operation strategies to increase customer service and number of flights to get the necessary resources for continuity. Few flights with corresponding

fewer clients have been a key market problem for the company. Airlines depend on travelers to make money. The more access to customers the better income for the entities. The current few destinations for the company present a major challenge to the survival of the company.

Air Carnival is experiencing stiff competition from some of the most established airlines in the country and the region such as Air India that has made a reputation both locally and globally. The current airline reviews put it below other companies that have already proven themselves and won customers' trust. Although their flights have not had any major issues, the customers argue that their management and operations are not as good as those of other airlines, and so is the food. The company needs to acknowledge that the most desirable and promising avenue to enter a new market is by beating the service quality of the existing practitioners. Since the angel investment group took over, there have been numerous improvements, and customers are beginning to value and trust the airline.

Nonetheless, the company operates under a million dollars' profits per quarter financial period which is quite low given the magnitude of the investment of the airline business. Lately, the company has been experiencing stable increase and improvement in incomes for the last six months. The stability indicated a glimpse of hope for the future of the company.

Overall, competition and lack of customer satisfaction are the key daunting market factors that Air Carnival must focus on solving for any hope of the

company's success. As highlighted in summary, rocky beginnings are orthodox for businesses especially ones of the magnitude of the one under consideration. It is quite instrumental that lately, it has managed to stabilize income and has enough time and resources to divert into improvement and development for future operations.

### **Opportunity and Issue Analysis**

The section dwells on Air Carnival SWOT analysis. The analysis gives the company a rough overview of its chances to survive and penetrate the market towards seeking to achieve its set objectives.

### **Air Carnival Strengths**

The airline can boast of the great financial muscle and experience that the Angel investment group possess. The entity has the required wherewithal to manage and turn the small venture into a multimillion entity.

### **Air Carnival Weaknesses**

One imminent weakness facing the company is that it is starting offer at a time when other airlines are already established making it difficult to stamp foot into the competitive environment.

### **Air Carnival Opportunities**

The airline has one of the greatest opportunities when it comes to its scope of operation. It serves the low accessed Indian territories offering local flights to individuals and regions where established entities would not consider investing (Muthusamy & Muthumeena, 2015). Their choice of operating territories gives them great access to ready market and opportunities to expand towards meeting their key objectives.

An increased expansion into other territories other than Southern India would offer a greater and wider market for expansion leading to increased income and a larger market. Secondly, the Indian middle class has been expanding extensively leading to an increased purchasing power and expenditure. Most Indians can now afford flights and move around the country. The company can use the opportunity to widen its scope of operation as well as improve its customer target for greater income.

Both local and international regulations have continually made skies more accessible easing operations for the new company. It can now operate successfully without any major obstacles towards reaching its set objectives. Over the years, operating airline companies have become easier and the company's increased involvement locally even makes things much easier for its success (Jitendra Singh & Munjal, 2015).

### **Air Carnival Threats**

Competition remains a major threat despite the great opportunities and advancements the company has already made. For instance, Air India is a threat to other major international flights. When it competes with Air Carnival, the latter will have no chance of survival whatsoever. Nonetheless, the operators of the company should be ready and capable of mitigating the issue because they must have foreseen that before entering the market

### **Definition of the Value Proposition**

Air Carnival intends to improve accessibility and reduce their prices to increase the company's attractiveness to its clients. Other airlines in India charge higher travelling rates because of their dominance. Nonetheless, they

are not as accessible and hence a chance for Air Carnival to make a mark. Increasing accessibility is the key avenue that the company intends to use to win as many customers as possible. Moreover, the angel investment group has argued that their scope of operation allows them the leverage to increase their fleet routes and hence control accessibility and that would translate to dictating terms in India's domestic market.

### **Objectives**

Air Carnival greatest objective as of April 2018 was to increase its fleet and hence a corresponding increase in routes. The angel investment group management has argued that India has a borderless potential and lack of resources to expand the airline's operations is the stumbling block to the company's possible great breakthrough (Deeppa & Ganapathi, 2018).

Secondly, Air Carnival is planning to open up as many routes as possible in the potential areas to improve its client base. There still exist numerous areas in the country with great potential that do not have access to regular flights.

The company has also made partnering with other entities top of its priority list to consolidate both local and international customers for a greater client base. Reports have indicated that Air Carnival has invested immensely in improving its flights so that it can compete both locally and internationally.

### **Marketing mix strategy**

Air Carnival has acknowledged that it cannot indulge in price wars with other airlines. It has hence decided that it is going to invest on the quality of

services it offers as well as accessibility and reliability of every endeavor of the company. The angel investment group intends to make the flights more comfortable with better foods and flight experience. The company is in a tough financial situation and operating below market rates would only expose it to possible closure (Deeppa & Ganapathi, 2018). Promotion and service boost have become the key avenues for the company to make a mark and remain operational. Lately, it is investing immensely in the country's media to capture as much attention as possible. The marketing strategy is quite resourceful as it does not piss off other players and neither does it result in financial losses hence the best avenue for promotion.

Air Carnival has been adhering to the four key P's in marketing to ensure that everything is focused towards improving the profit margins and mitigating losses. Below is an analysis of the structure.

### **Price**

Air Carnival has done everything possible to evade the path of price wars because the airline management understands that it would lose such a battle with the established companies. The company is bettering its services and offering more after sale services such as extra miles that when customers accumulate over time can use to fly free. Their prices are low but still at the same level as the market rates.

### **Product**

The case of Air Carnival involves services, and the company has proven to be effective in meeting consumer needs. It is working relentlessly to meet



world-class services so that it can compete effectively both locally and internationally.

### **Promotion**

Everybody in India at this instance in time must know that Air Carnival exists, and it is doing all it can to emerge successful. The company has incorporated promotions and sponsorships to gain popularity with the people and win more customers.

### **Place**

India may be the primary target, but Air Carnival is spreading its wings both in Asia and outside the continent to access as many clients as possible and be able to compete on a global scale.

### **Action programs**

Air Carnival has a solid plan in place to first improve its existing services to match or even surpass the ones of its competitors. Once that is accomplished, the company will then venture in opening new routes throughout the country to serve all the potential domestic territories. With sufficient routes and customers, the airline will be in possession of sufficient resources to acquire a new fleet for their domestic and international routes. All these action programs must be successful through active promotion and effective service delivery to its clients both locally and internationally.

### **Projected Profit and Loss**

Air Carnival has had its management seal its financial record without any accurate reports regarding its profits and losses. The argument behind the trend has been that it was the agreement at the time of acquisition.

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However, the angel investment group has confirmed that throughout 2017, the company was breaking even and it is still early to determine for sure its financial status (Deeppa & Ganapathi, 2018). There exist numerous transformations and acquisitions that would lead to increased financial problems. For the first half of 2018, the CEO has confirmed that the investors would be more than happy to break even. They cannot communicate any hopes for profits and neither do they intend to incur any losses.

### **Controls**

Air Carnival major management plan and objective is to minimize and mitigate losses as much as possible. The airline has great potential, and that is the reason the investment group agreed to take full responsibility and purchase all the shares. The Angel investment group acknowledges that it has been a real struggle running the business but two years is not sufficient time to brand it a success or failure (Deeppa & Ganapathi, 2018). The overriding objective is to have everything under control and ensure that losses cease to be part of the company's operations. The current trends are quite promising if the management was to project future operations.

### **Conclusion**

Overall, Air Carnival has been through a rocky start. The founding entity could not manage to operate and run it leading to the exchange of hands that witnessed the angel investment group take the full responsibility for managing the entity. Today, the company has started making some significant developments towards a better future. Competition and lack of customer satisfaction are some of the factors that are pulling it behind, but

the management has everything under control. There exist key marketing strategies to help meet the demands of the clients as well as mitigate future challenges. The objective to cut losses at the early stages and work towards profits in future operations seem well developed. Air Carnival has a promising future to be one of the best global airlines and companies.