MANAGERIAL ECONOMICS

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Short Description

MANAGERIAL ECONOMICS

case study

Description

Case Study 2: Kingfisher Airlines Pricing Strategies

Kingfisher Airlines (KFA), India-based airline group, is a wholly owned subsidiary of United Breweries (UB) Group. The parent organization is India’s largest producer of beer and established its operations in India in 2005. KFA is positioned as a budget airline rather than a low cost carrier airline. The reason is that the low cost carrier airline is treated as low quality and delayed flight service provider. The passengers of KFA are treated as honored guests and the flight is not referred as a journey but an experience of a lifetime. During the launch, Vijay Mallya, chairman and Chief Executive Officer (CEO) of KFA, said “Kingfisher Airlines will have a ‘Fly the Good Times’ approach and this will reflect in the experience what we will offer to passengers.

With costs lower than economy class travel on full service airlines and marginally more than the bus services type low cost competition, Kingfisher Airlines offers a far better value proposition. The aircraft and service will reflect the Kingfisher lifeline imagery and credibility that has been built over the years.”

KFA's strategy is to differentiate itself from other airlines by providing value-added air travel services at reasonable fares. KFA offers three kinds of services for different types of customers namely Kingfisher First for business-class customers, Kingfisher Class for upper-class customers, and Kingfisher Red for middle-class and lower-class customers. It provides a fun-filled experience with in–flight entertainment systems and well-designed interiors. KFA provides quality services, screens and headphones, specialized meals and beverages, and free gifts to guests. In the year of its launch, KFA was voted as the best new airline of the year.

KFA has an advantage of familiarity of brand with the customers. Thus, it does not conduct marketing and promotional activities. The pricing strategy of the aviation industry is also affected by the environment-related factors, such as crude oil prices, dollar rates, and competition. When KFA was launched, it was called as the budget airline as the ticket prices charged, were lower than its competitors, such as Indian Airlines, Jet, and Sahara. The ticket prices were 25% lower than Jet Airways and around `20% more than Air Deccan. Jet Airways brought down its fares to compete with KFA when it took over Sahara Airlines. These competitive price pressures lead KFA to provide more value-added services, including mobile updates and home delivery of air tickets. According to Mallya, "We are offering our passengers' more than just value-based fares; we will offer a complete lifestyle experience."

In this high competition, KFA has positioned itself as a successful airline in a shorter period of time. The targeted segments of KFA are high and middle income customers. It also targeted the youth and high lifestyle segments. Mostly, the targeted population is modern and trendy that is looking for a great flying experience. It has been termed as a true value carrier and awarded as the prestigious 5- Star Airline Status by Skytrax, which is the world's leading independent research and quality evaluation body for airlines.

Questions:

Q1. What pricing strategy was followed by Kingfisher to complete in the aviation industry? Was it competition or cost-based strategy?

Q2. Do you think that pricing acts as a differentiating factor in the aviation industry?

Details
1. Case study solved answers

2. pdf/word

3. Fully Solved with answers