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The Bankruptcy of Jet Airways in India

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Abstract: *This is a bankruptcy case study of carrier Jet Airways in India. Jet Airways was considered as a major airline in India's aviation industry. Its daily operation was more than 400 flights to 71 destinations across the world. Jet Airways provided their services to 47 local destinations. Moreover, they also offered international flights to 24 destinations around Asia, Europe, Southern Africa, and North America. Jet Airways had diversified fleets. Afterwards, the company became the dominator of the airlines market in the domestic sector by holding a market share of 27 per cent. But the situation changed for the company during the financial crisis of 2010 – 2013, which has changed the customer pattern in the aviation industry. Jet Airways lost its domestic position and also was unable to compete with international players. It has incurred continuous losses in the past nine years consecutively, and its huge debt has destined it towards bankruptcy in June 2019. While having huge liquidation crisis, Jet Airways has invested lots of money for acquiring Air Sahara which is a low-cost carrier. They intended to compete with the dominant industry trend of low budget airways. But this decision has inflated their debt burden. Finally, Jet Airways became bankrupt. In 2019, Reliance Industries and Tata Group has showed their interests to invest at Jet Airways. Jet was waiting for their decision to save the company from bankruptcy, but global pandemic COVID-19 has left no hope for Jet Airways. Air travel was almost stopped due to COVID-19 pandemic and thus, the airline industry has faced the hardest hit among all other industries.*

Keywords: Low-cost Airlines, Jet Airways, India, Bankruptcy, Competition

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1. INTRODUCTION

The Indian aviation sector has been gaining growth at constant rate of 13.8 per cent during the last ten years. The Indian air transport was able to attract the only USD 570 million of FDI during the years 2000 to 2015. As a result, the Indian airports have offered services to168.92 million passengers and 2.28 million tons of cargo were transferred during 2013-2014. These numbers show that the capacities of the airports of being able to handle 220.04 million passengers and 4.63 million tons of cargo have drastically decreased. Jet Airways was regarded as the second-largest airline in India after IndiGo because of holding a market share of 17.8 per cent in October 2017 (Directorate General of Civil Aviation of India, 2019). Since February 2019, the airline was facing a financial crisis due to various reasons. Consequently Naresh Goyal, founder and chairman of Jet Airways, stepped back from his position due to the airline's financial situation on 25 March 2019. Since the airline had less than five operational fleets, the Indian Directorate General of Civil Aviation have forced Jet Airways to cease all its international flights on 12 April 2019 as per their requirement. The airline had to suspend all its domestic and international flights on 17 April 2019, because they could not secure the emergency funding of USD 56 million (Chowdhury, 2019).

2. BANKRUPTCY OF AIRLINES INDUSTRY

Bankruptcy in the airline industry (both publicly listed company and privately listed company) is becoming a common phenomenon globally. Usually, the airline company goes for bankruptcy when it faces liquidity issues by running out of cash for covering the liabilities (Lee, 2010). This results in insolvency by shutting down the airline company and selling all its assets for repaying the debt it incurred (Investopedia, 2019). Then, the company requests for voluntary administration where a third company will help the troubled airline company where it can escape the insolvency and also will be able to pay the debt (Lee, 2010). However, these are the very complicated, lengthy and costly process. So, in a nutshell, bankruptcy can be caused by low cash reserves, struggling for years with the hope to achieve profit and the denial of the government bailout. The core reason for the liquidation issue of the airline company is cost control (Borenstein, 2011). It is not hidden from us that fuel cost has hit the ceiling already. To make the situation worse, customer demand is fluctuating due to the immerge of budget airlines. According to the economist of the airline industry, legacy airlines cost are 50 per cent higher compare to the budget airlines (Borenstein, 2011). Also, administration cost is another vital reason for the legacy airlines to go for bankruptcy. These legacy airlines face labour relations not just for giving higher wages but also the benefits they mention in the employment contract (Tolkin, 2010). On the contrary, low-cost carriers can achieve higher profitability by adjusting the labour cost for productivity by covering the workload.

The nature of the airline industry is extremely aggressive (Ciesluk, 2011). Low-cost carriers cost leadership strategies, promotional strategies, and lower operational cost has provided them with a dominant space. They are offering lower ticket prices to the customers by providing them diversified programs such as frequent flyer programs and corporate discounts to ensure customer loyalty (Investopedia, 2019). These have increased their customer base by reducing the same for legacy airlines. Simultaneously, legacy airlines occupy dominant space in the hub airports, which results in higher operational cost with lower ticket prices. Exogenous event is a crucial factor which impacts on customer demand and operational expense (Tolkin, 2010). The airline industry, in particular, is vulnerable to exogenous events which include natural disaster, terrorism and political instability.

The airline industry has faced one of the hardest hits among all other industries due to the COVID-19 pandemic. Air travel was almost stopped due to the outbreak of the coronavirus among the world (Slotnick, 2020). From January 2020, the demand for air travel had plummeted to Asia from the rest of the word when the news of coronavirus became widespread (Passy, 2020). Even before January 2020, passengers avoided travelling to China and other locations of Asia because of the anxieties related to coronavirus. This has mostly reduced the flight numbers and resulted in a halt of air travel globally since mid of March 2020 (Slotnick, 2020). Uncertainty prevailed in the financial aspect of the airline industry. Airlines were forced to suspend their flights by closing their routes, grounding planes and laying off workers as there was no demand on their remaining flights, as many nations and states were locked down and national borders were closed around the world.

According to International Air Transport Association (IATA), the overall income of airline industry has fallen to 80 per cent by this time which has forced to shut down or consolidate the operations (Ziady, 2020). So, in reality, COVID-19 has taken global aviation back in the time of almost two and a half decades. Though IATA is assertive and confident about the long-term future of the aviation industry, estimating the growth of 20 per cent from 2019 to 2025. However, this will be the lowest record in the history of global aviation in the six-year growth period. IATA is pushing for economic incentives for people to start travelling to be given equal weighting, with a ‘layered’ approach to quarantine measures (CAPA Centre for Aviation, 2020). Simultaneously, each country is adopting the solution which suits best for them to deal with this catastrophe without considering right or wrong to its neighbours or trading partners. It appears that this is a fight for their existence. Therefore, to stand out in this volatile market, airline companies should focus on efficient structuring by adopting the change.

3. THE CASE: JET AIRWAYS

Jet Airways is a limited liability company which was established in April 1992. In the beginning of 1993, the airline started its operation in the tax business. They obtained capital investment from Tail Winds, a company registered in Isle of Man by Naresh Goyal and his children; Namrata Goyal and Nivaan Goyal (Sanjai, 2013). In the year 1995, it started its operations fully, and in 2004, they offered international flights. The airline started its operations publicly in 2005 and later; it acquired Air Sahara in the year 2007. By 2010, the airline earned the reputation of being the largest airline in terms of market share in India and held onto this position until 2012. Jet Airways provided services to 12 destinations in India in its first financial year, which carried 663,000 passengers and they secured a market share of 6.6 per cent. Four Boeing 737-300 aircrafts were leased by company from Ansett Worldwide, where Jet Airways was the first operator to operate this type of fleet in India (Lopez, 1993). Jet Airways started to gain popularity and eventually, earned the reputation of being the second largest private airline in India as they carried 1.7 million passengers in 1994. However, Tailwinds

International took hold of all the shares of Jet Airways on 12 May 1994. The 60 per cent shares were held by Naresh Goyal, 20 per cent was held by Gulf Air and 20 per cent was held by Kuwait Airways.

On 14 January 1995, Jet Airways got their permission to conduct their airline operations that was required to run their operations smoothly (Daly, 1994). In 1996, the airline placed an order of USD375 million for four aircraft of 737-400 Boeing and six aircraft of 737-800 Boeing, which were delivered between 1997 and 2000 (Kingsley-Jon, 1996). Since 737-800 Boeing was first bought by Jet Airways, it gained popularity in Southeast Asia. During the financial year 1996-97, the number of customers of the airline was 2.4 million and they held a market share of 20 per cent which enabled them to gain the second highest position by competing with Indian airlines, which are state-owned. By then, the airline owned twelve Boeing 737 aircrafts, which were used to have 83 flights daily to 23 domestic destinations (O'Toole, 1997).

In the year 1997, the foreign airlines were no longer allowed to jointly form with Indian aviation companies by ventures having an equity stake or share as declared by Cabinet Committee on Foreign Investment (CCFI) of the Government of India. Therefore, in October 1997, Naresh Goyal separated its business from its foreign investors and took control of Trade Winds (O'Toole, 1997). By April 2001, the airline had 30 aircrafts which were used to offer services to 37 domestic destinations. Since its establishment, Jet Airways suffered losses for the first time in the financial year 2001-2002 as demand fell and costs rose. In 2002, Jet Airways had placed an order of ten aircrafts which is when the airline was recognized at the Farnborough air show for the Embraer 175. These aircrafts were worth of USD 520 million (Aviationweek.com, 2002). However, the deal was postponed to a later date because of financial crisis of the airline. Later on, in 2003, the airline was permitted to offer services to the South Asian countries which include Bangladesh, Nepal and Sri Lanka. Therefore, the airline started to offer these international services as the government permitted it. The destination of the first international flight was in Colombo which was launched in March 2004 (Ians, 2013).

In February 2005, Jet Airways Initial Public Offering (IPO) offered 20 per cent of the airline's stock, which gained investors' attention. Investors from institutional, local and retail sector had invested in Jet Airways for oversubscription tranches, and this helped them to raise USD 276 million, as a result, it made Naresh Goyal a billionaire on the books. At the end of 2004, the Indian government had permitted that the private carriers can enter and operate in all the countries around the world except Middle East.

Marketing Mix of Jet Airways

The first four elements (product, place, price and promotion) in the services marketing mix are the same as those in the traditional marketing mix. However, three new elements of the services marketing mix - people, process and physical evidence - which are unique to the services marketing. Jet Airways followed 7Ps marketing mix as its marketing strategy where it has set its strategies based on the product, place, price, promotion, people, processes and physical evidence.

Product

Jet Airways' product portfolio is diversified, which includes both tangible and intangible products. The airline provides the customers to check-in into their schedules with the use of mobile, internet and their website facilities. Moreover, it has airport lounges which remain open 24/7 that offer extended services to the passengers. Jet Airways provided special service to the infant, unaccompanied minor, expectant mothers and people with medical issues and any disabilities. Additionally, Jet Airways had three categories of seating options, which are included in in-flight services (Flightglobal.com, 2005). First class seats are private suites with private wardrobe, 23-inch television with Headphone, lie-in-bed seat and the closing door. Business class seats are larger in size for comfort. They provide 10.6-inch television screen and lamp light for the business class passengers. They also provide foods, beverage and other options on the flight. There are comfortable seats in Economy class.

Place

Jet Airways maneuver their flights both locally and internationally. The primary hub of the company is located in Mumbai. However, for the convenience of the customers they have alternative hubs at Bangalore, New Delhi, Kolkata, Chennai, Amsterdam and Abu Dhabi. Its operations include both domestic and international flights where over 400 flights operated daily to 47 domestic destinations and 24 global destinations. Their flights operated in 19 countries within region of Asia, South America, Europe and North America. The first flight within the Asian borders was to Colombo in 2004 and the international was to London in 2005 (Awtaney, 2018).

From 2007, Jet Airways scissors hub was Brussels Airport for its intercontinental connectivity towards the United States and Canada. But, later from 27 March 2016, Amsterdam Schiphol Airport became the scissors hub by replacing Brussels. Jet Airways distribution network is so wide-spread that this can ensure prompt services in terms of any enquiries, reservation, cancellation and confirmation (Nandgaonkar and Ghosh, 2018). These services are also accessible from mobile and internet as per the individual requirements.

Price

For the airline industry, setting price is an important and significant area as competition is very intense among airline companies. Thus, Jet Airways pricing strategy is fare pricing strategy where it has segmented its services into three different classes for its passengers (Awtaney, 2018). The price will vary depending on the services that the individual passenger will receive from that specific class. For instance, the first-class passengers are priced higher due to the extra benefits provided to them. Then, the prices are gradually lower for business class passengers and eventually lower for the economy class compare to first class and business class passengers. The price varies based on the service and benefits offered. Jet Airways offered concessional fares to patients, students, armed forces and senior citizens to encourage them to travel with this airline. To retain the existing customers, they offer customers with certain benefits. It has provided various offers to the premium cardholder customers based on the card they hold.

Jet Airways also considers dynamic pricing strategy where price changes with the changing circumstances such as type of target customer can change, demand can increase at certain times or market conditions can change (Nandgaonkar and Ghosh, 2018). Dynamic pricing strategy is set considering different times and situations of a customer. Figure 1 demonstrates the factors that determine the dynamic pricing strategy. These factors include peak pricing, segmented pricing, time of purchase, service time, and changing conditions.

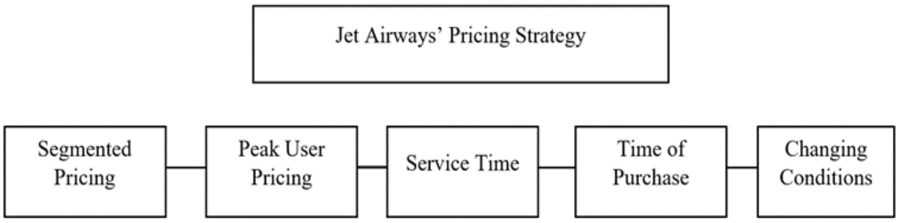

Figure 1: Jet Airways' pricing strategy
Source: Nandgaonkar and Ghosh, 2018

Jet Airways segmented its ticket price based on the passenger's willingness to pay more for a service as per their need. For instance, the ticket price will be high if any passenger wants to travel mid-week or prefers quick and higher quality service. Then, it charges a high-ticket price by using peak user pricing when any passenger wants to travel during the rush hours. Another dynamic pricing strategy that Jet Airways uses is service time, which is charging more for providing faster service. Again, it offers passengers different prices based on the time of purchasing the ticket, and the market condition prevails at the time of purchase.

Promotion

Jet Airways has adopted different types of promotional strategies for its airlines. It has launched different advertisement campaigns by using newspaper, magazines, hoardings and television. It also relied on its travel agents and word-of-mouth publicity. Jet Airways also released Jetstar brochure to help and guide its customers. The Bollywood actor Shahrukh Khan was recruited as the brand ambassador of Jet airways in order to promote their airline using star marketing strategy. He is seen in various advertisement campaigns of Jet Airways which indirectly promotes the brand and therefore, his enthusiastic identity will create a positive vibe among the customers to relate themselves profoundly with the brand. In terms of the public relation activities, Jet Airways was associated with blood donation campaigns with Prathama Blood Centre. Also, they have collected donation by launching their "Magic Box" in their flights. This donation was collected for the NGO Save the Children India (STCI) (Aviationweek.com, 2002).

People

Jet Airways was regarded as the largest airline companies India who has employed over 20,000 employees. Different level of employees was employed in Jet Airways, which includes ground-level employees, pilots, cabin crews. Employees were provided with training to operate seamlessly. Regular training was scheduled to the pilots and cabin crews given on latest and fully equipped aircraft. It had provided six training for 250 hours. The company believed in transparency and open culture. Employees were to abide by the ethical conduct and refrain from associating with any illegal activities. The policy of the company was to not to take revenge against the employee who violates this code of conduct. Employees were encouraged to share their opinions, complaints or concerns with the Audit Committee regarding accounting, internal accounting controls or auditing matters. The customers were segmented into tourist travellers and business travellers. The tourist travellers are usually priced sensitive customers where the business travellers are service driven. Jet Airways enriched customer’s loyalty by providing them on-time flight schedule, loyalty bonus and convenience. They provided privileged treatment to customers such as check-in dedicated counters; cancellation fees waived on the fare and priority baggage tagging, etc.

Processes

Jet Airways’ processes were designed simply for the convenience of the customers. Their purpose was to offer quality and efficient services to the customers. They had simplified the travel process in simple five steps, which were ticket booking, issuing of the ticket, luggage check-in, check-in, and finally reaching the plane via Airbus and vice versa. Feedback Mechanism was used by Jet Airways through website and questionnaires to enhance the level of customer involvement. This mechanism was to provide customer with quality services while improving productivity. Jet Airways also gave a bonus of USD 8 to every customer irrespective of their chosen class. It also provided mobile check-in facility for silver, gold and platinum tier members where the customers had the option to reserve up to 24 hours.

Physical Evidence

Jet Airways concentrated on its facility designs by providing different benefits and atmosphere for each of its classes. The seating arrangement varies according to the different classes. The airline consists of foreign cutleries for improving their ambience. Moreover, they are providing pillows and mattresses for the comfort of the customers. Along with that, Jet Airways provided other tangible equipment such as magazine, jet screen, and feedback to add on accessories to its customers. Not only tangible equipment but Jet Airways also focused on employee dress, which symbolizes its brand. Every employee is required to maintain dress code of the company.

4. SWOT ANALYSIS OF JET AIRWAYS

The SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is an important strategic tool, which is often used in business strategy formulation process. Jet Airways is ranked the nation’s biggest airline by market value, but now it is already bankrupted. It has happened as the competition was intense from the rival airlines. Low-cost airline concept is becoming popular by the customers where SpiceJet Ltd. and IndiGo has taken most of the market share from Jet Airways due to its business strategies.

Weaknesses

Jet Airways was one of India’s top three airlines over the past decade, and this was a consistent performance by them. However, it's market share has represented that they were in a maturity stage in their service life cycle, as showed in Figure 2. This indicated that they were required to change their strategies before they decline. Their rigid mind setup had led them to continue their current operations. According to aviation experts, “Instead of trying to change the way the airline operates, the chairman of Jet Airways, Naresh Goyal told the world to hold his beer" (AviationCV.com, 2019). This has incurred a huge cost in their expense. The maintenance cost has increased significantly as Jet Airways required to purchase and stock different types of spare parts for these planes in bulk quantity. This strategy also required training for the pilots and the cabin crews to maintain the operation perfectly. In some cases, they needed to hire international trainers to train their local pilots and cabin crews. Thus, this strategy was very expensive for Jet Airways.

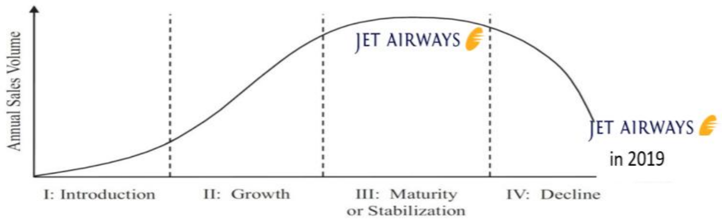

Figure 2: Jet Airway's Service Life Cycle
Source: Authors illustration, 2019

Jet Airways was unable to forecast market demand, which is one of the main reasons for the financial loses. According to the analysis of the International Air Transport Association (IATA) on the Indian domestic passenger traffic, the financial crisis of 2010 – 2013 has changed the mode of travellers. Financial crisis slumped the numbers of travellers but introduced a new concept as a "low-cost carrier" service. In India, approximately 5 per cent of Indian households were classified as middle-class (Bloomberg, 2019). This concept seemed very effective for the traveller who belongs from middle-class. In 2014, the demand for air travel had increased once again, and since then the growth was steady in the Indian aviation industry. From then to the present days, the demand for the low-cost carrier is very high as people from different classes can afford to travel by air locally or internationally. Low-cost carriers can offer on-time flights, which is the core requirement, yet no-frills. This will not be possible in full-service carriers as their tickets will be expensive generally. Therefore, low-cost carriers such as IndiGo and SpiceJet has started to capture the market shares of the Indian aviation industry. Eventually, IndiGo ranked number one by capturing the greatest number of domestic market share in India.

The demand and concept of air travel have changed with times. Now, the price-conscious travellers declined to pay a premium for onboard meals and entertainment. This concept became popular not only in India but also worldwide. Jet Airways ruled the market for past decades but unable to forecast this market demand and change its business model accordingly. In 2009, Jet Airways introduced two low-cost carriers JetLite and Jet Konnect, but before that, IndiGo and SpiceJet have already captured the domestic market shares by capitalising the low-cost carrier concept. So, Jet Airways has already lost the first mover advantage. However, the company decided to fight against its biggest domestic competitors (IndiGo and SpiceJet) by entering into the price war. This was not a smart strategy of Jet Airways as it started to offer cheap flights being the full-service carrier, which kept the running cost increasing. It offered amenities such as onboard meals and entertainment mostly for free, which is unlikely for budget carriers. Along with that, a 30 per cent increase in provincial taxes on jet fuel has straight added up the expense of Jet Airways. Therefore, this decision was a disaster for Jet Airways as it incurred a net debt of USD 1 billion and was posted a loss of USD 535,030 in particularly December 2018.

Jet Airways focused on short-term strategies rather than long-term strategies. Its affiliates JetLite and Jet Konnect were effective in short-term as Jet Airways started to obtain traction by operating five time more than its flights in India, which is 20 per cent of its total flight numbers. However, acquiring these low-cost subsidiaries did not fit well in the long run. It just sustained for five years. In 2012, Jet Airways was forced to merge them as Jet Konnect due to the debt it has already incurred, and in 2014, Jet Konnect lost its existence. Again, Jet Airways has fired 1900 employees to reduce its running cost. This initiative has set Jet Airways into another crisis as employees protested the decision of Naresh Goyal by going to the street. It has harmed the company image though Jet Airways rehired the employees. The company still incurring losses and was unable to handle its operational cost, which was the running issue for Jet Airways. Then, on November 2013, Jet Airways sold 24 per cent of its market share to Etihad for handling its operational cost when the Indian government permitted foreign airlines to buy a certain percentage of shares from Indian airlines in 2012.

Low Cost Business Model

Jet Airways was unable to set its corporate strategies considering the time. In 2008, Indian Aviation market declined because of the financial crisis. As a consequence, the number of travellers was decreased too. Therefore, airlines required to take actions either to reduce the prices to cope with a lower number of passengers or to increase the price to cope with soaring fuel prices. Then, Jet Airways was forced to reduce its fare price. They should have considered the stability strategy in their corporate strategies. The stability strategy is known as the strategies that require to uphold the status quo for dealing with the uncertainty that remains in a dynamic environment. This sort of strategies is also required when the industry is experiencing slow growth or in some cases, no growth at all.

However, the situation became worse when Jet Airways invested lots of money to cope with the dominant trend of low-cost carriers by acquiring Air Sahara. As the financial crisis impacting adversely in reducing travellers' number, passengers started to prefer low-cost airlines because of the lower ticket prices such as IndiGo and SpiceJet. Then, Jet Airways has initiated its low-cost airline by investing in Air Sahara, known as JetLite. The problem was Air Sahara was not a low-cost carrier. Air Sahara's business model was similar to Jet Airways, which means that Jet Airways has paid huge money for an extra aircraft, parking slots and routes for converting into a low-cost carrier. This initiative was not at all time and cost efficient. Jet Airways has not stopped here. In 2009, Jet Airways launched another subsidiary known as Jet Konnect, which has puzzled aviation experts too. During the financial crisis, Jet Airways owned two subsidiaries that operated under the same, low-cost model. Jet Airways has taken horizontal integrated corporate strategies rather taking stability strategy.

Threats

There were many external factors involved which have pressurized Jet Airways particularly as they were already in debt. These are higher oil prices, weak Indian currency and heavy fuel taxes.

Jet Airways was reactive rather than proactive in terms of taking initiatives. Jet Airways has lost the first mover advantage as it has taken initiatives of launching low-cost carriers later than IndiGo and SpiceJet. IndiGo started to dominate the domestic market. In India, Jet Airways positioned number one is eroded slowly by losing the domestic battle. Afterwards, there was no chance left for Jet Airways for international skies as the airlines will not be able to compete with Singapore Airlines, Emirates, Etihad, etc. So, the airline was cornered as its domestic demand crumbled, and it had no scope to compete with the big international players in aviation. Jet Airways created a remarkable development in the aviation industry in the 1990s in India by raising the quality of passenger experience. But today, it is destined to be bankrupted due to its inflexibility, reactive business strategies, traditional thinking and stubborn management styles.

Since November 2018, Jet Airways' financial performance had been declining because of the increasing losses. Therefore, they started to adopt cost-cutting measures as well as discussions with investors were conducted (Nandgaonkar and Ghosh, 2018). It was stated that approximately fourth of Jet Airways aircraft were stopped because of the failure to repay their lease rates in March 2019 (Taylor, 2019). The debt payment to the lenders' is expected to use their stakes to meet their obligations because of the airline's declining position (Rai, 2019). Then, Mr Naresh Goyal and his spouse Anitha Goyal has resigned from the Board of Directors of Jet Airways on 25 March 2019. Etihad, the other equity partner of Jet Airways, had the choice of either rescuing or separating their business from Jet Airways at the board meeting dated March 2019. (Moneycontrol, 2019). During subsequent discussions, domestic lenders led by SBI (The State Bank of India) agreed to provide an additional of USD 219 million emergency funding to Jet Airways. This amount was further reduced to USD 30 million as SBI (The State Bank of India) awaited an RBI (The Reserve Bank of India) update. The amount was used to pay back the suppliers of the Jet Airways.

The employees of Jet have also shown their intention to stop working if their dues for the past three months are not paid (Sinha, 2019). Meanwhile, the lessors have decided to reclaim their fleets (Boeing 777) because of the failure to pay the leasing rates (Business Today, 2019). Moreover, the cargo service provider in Europe has seized an aircraft due to the non-payment of dues on 10 April (The Economic Times, 2019). As a result, Jet Airways suspended all its international flights along with all domestic flights due to the lack of available aircraft on 12 April 2019 (Wilkinson, 2019). It had less that ten aircrafts at that point of time, which was 123 in December 2018. On 17 April 2019, all flight operations were suspended by Jet Airways as the lenders rejected an emergency funding of USD 59 million (Chowdhury, 2019). On 18 April 2019, the last flight of Jet Airways flew from Amritsar to Mumbai and then, IATA has suspended its membership (The Week, 2019).

5. THE FALL OF JET AIRWAYS

In March 2018, Jet Airways incurred a loss of USD 152 million in the January-March quarter as revenue declined and costs increased significantly. Many employees' salary for the month of March were deferred by stating that it was not in their control. In April 2018, Jet Airways bowed out of bidding for Air India citing the complex process. Also, the Indian government refused the proposal of Jet Airways for merging with JetLite, which was Jet's subsidiary.

Jet Airways, on the edge of bankruptcy, has suspended operations on 13 more international routes till the end of April 2019, even after their seven more planes had been seized due to non-payment of rentals (Ghosh, 2019). This took down their number of such aircraft to 54. According to airline sources, the airline has also reduced their international routes. To cover the losses of the stock exchanges, an additional seven aircrafts including two planes of JetLite had been seized due to the non-payment of the dues outstanding to lessors, (Business Today, 2019). The company declared that regular updates were being provided to its aircraft lessors for its activities on improving the liquidity as Jet Airways was trying hard to pay them back.

Jet Airway could still be able to survive this struggling situation. Reliance Industries and Tata Group are the two potential investors who can see bright light to Jet Airways. It required money urgently to start its operations as its condition was not at all favourable considering that its aircraft had repossessed with no airport slots provided and employees were already joined rival airlines by leaving Jet Airways (Bailey, 2019). The first investor was the CEO and chair of Reliance Industries, Mukesh Ambani. With a net worth over USD 54 billion, he is the richest man in Asia. However, he is not going to do it alone. In fact, according to the Indian press, Reliance did not submit any Expression of Interest (EoI) to the lenders. Rather, Reliance wanted to save the company with Etihad Airways (Bloomberg, 2019). Etihad already owns 24 per cent of Jet Airways share but they informed earlier that they are not interested to further invest in the airline. However, as per Etihad's suggested EoI, it was a more attractive proposal for them to buy a bigger stake at a knock-down price. So, with the current investment, Etihad could increase its percentage up to 49 considering the rules of the Indian government. Moreover, if Etihad wanted to invest more than that, they would need government approval. According to Reliance spokesperson contacted by the Indian Express stated that as a policy, they do not comment on media speculation and rumors. However, their company assesses various opportunities regularly, and they will make necessary disclosures in compliance with their responsibilities under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and their agreements with the stock exchanges (Chowdhury, 2019). Interestingly, Ambani has also taken initiative to invest in Air India. Reliance is considering stopping investing in the airline or holding 76 per cent stake by associating with Etihad Airways (The Economic Times, 2019).

Tata Group previously showed interest in buying Jet Airways but withdrew from the process once it became clear that Naresh Goyal would not surrender the control of Jet Airways (Taylor, 2019). Tata Group has gathered experience in the aviation industry with the budget airline AirAsia India. They also provide full time service through the Vistara carrier. Even though they have shown interest in Jet Airway, their waiting decision till the bankruptcy indicates discouragement (The Times of India, 2019).

6. THE LAST INITIATIVES TO SAVE JET AIRWAYS!

Jet Airways is India's one of the old legacy airlines which has built over the years. Due to its year-old reputation, it used to have flying rights which are bilateral and the enviable pool of landing and parking slots. These slots are placed at different prime locations at both domestic and internationals airports. Therefore, Jet could temporarily lease these prized assets and gain some financial benefits. Currently, Jet's fleet has only 12 aircraft which includes 3 Airbus 330 on financial lease, three owned 737s and six Boeing 777 on finance lease with one possessed in Amsterdam. So, re-inducting the grounded aircraft and sourcing new aircraft from the secondary market can be a strategic move for the company, as in the secondary market mentioning assets is not essential. Simultaneously, it could create additional value for sale as any buyer will get two Air Operator Certificates (AOCs), one is for Jet Airways and another one is for JetLite.

Most importantly, the company needs to focus on rebuilding it's market position by having a robust frequent flyer program which should include structured and deliberate yet cost-efficient fleet plan. To regain customers confidence across service, network and product, it is essential for Jet to introduce the differentiation of product. It should emphasize on its institutional knowledge by concentrating more on employee positivity towards the brand. Jet Airways still has many loyal and dedicated ex-employees who will rejoin the company with pride. Again, the biggest challenge is its contingent liabilities which makes its comeback almost impossible in the current situation. It has way too much debt to multiple banks and that's why it is unlikely that Jet Airways will receive the permission from the authority to operate again in a standard time frame. Thus, the bankruptcy is inevitable for Jet Airways.

SUGGESTED DISCUSSION QUESTIONS

1. What strategies regarding marketing and management emerge about Jet Airways in India?
2. If you were a decision-maker at Jet Airways, what would you have done to develop the services for the company?
3. Explain the marketing mix of Jet Airways in India.
4. Looking back at the series of events that led to the fall of Jet Airways, what were the main reasons for the company's collapse? In your estimation, how would your proposed changes impact the future of the company?
5. How airline companies should act to sustain in the intense competition in domestic and international market?

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