

Either deliver or change your promise



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Service marketers must understand that in a downturn rather than price wars it's living up to customer expectations, which will work wonders

Sharon looked at the stage. Her boss, Arjun Singhania, the CMD of FastFly, was making a presentation on the company's performance during the last quarter and financial year. Journalists, stock analysts and, of course, all concerned investors were already seated in the best positions that they could find for themselves in that big hall.

"Ladies and gentlemen, I thank you very much for your patience and I express my pleasure for your presence in this august gathering. This is not the best of times and we represent here the airlines industry that has probably been hurt the most by the onslaught of the lingering recession!!!"

"We entered the airlines business with a clear objective in mind – FastFly would be the carrier for the corporate executives who needed to reach their destination in the quickest possible time at a competitive price. We positioned ourselves as a niche segment, somewhere between the full service carriers (FSC) and the low cost carriers (LCC). So, although we charge airfares closer to the LCC rates, we offer amenities and comfort as good as the FSC. The going was good till now, but this year we have been hit by a double whammy – high ATF (*air turbine fuel*) rates in the first half of the year and then plunging demand due to recessionary effects in the second half."

As the whole hall hushed into an eerie silence, Arjun continued in his rich

baritone voice, "So here are the numbers, the losses stand at 8% year-on-year and 16% quarter-on-quarter. Sales have declined 25% year-on-year and 33% quarter-on-quarter!" After a pause he resumed, "And here are the details of the balance sheet and P&L statement ..." As Arjun took them through the dismal set of numbers, the eeriness of the hall increased in magnitude. Finally he finished with a customary bow of head and looked at the

“The question that’s keeping the aviation players busy these days is, ‘Should they start a price war?’”

audience, "Any questions, please?"

A young lady rose from among the crowd. "Sir, you have just said that your average load factor has declined to below 70%, and you have also lost substantial market share to your competitors. Why don't you try to regain the same with predatory pricing? I mean, you could cut your prices below that of the LCC, take away the market share from them and in the process ensure healthy volumes?"

With a dry smile on his face, Arjun replied, "Should I start a price war? Well, I think you have hit the nail on the head. That's the analysis that we are currently doing and I'm sure I'll be able to provide some concrete answers within a few days."

Once the press meet got over, Arjun dashed off towards the Mercedes that was waiting for him. Once inside the car, he asked Sharon, "Are we late for the meeting with Professor Ram?"

"No Sir," replied Sharon. "We shall be reaching his office within fifteen minutes."

Professor Ramamurthy was his usual self when Arjun and Sharon entered his office. He smiled at them, asked them to be seated, and offered some filter coffee. But that was not enough to soothe the nerves of Arjun. "Prof, I have got just a simple question for you – should I go for predatory pricing and start a price war? I might get some market share and improve the seat load factor, but the big boys are surely going to retaliate in a brutal manner."

"It hurts, my friend, it really hurts a lot when you start a price war." Prof. Ram put a hand on Arjun's shoulder. "Both HUL and P&G did it with detergents, both of them got singed. Captain Gopinath started offering Re.1, Rs.5 and Rs.99 tickets, he couldn't save Air Deccan from getting acquired. The Indian aviation industry has lost Rs.4,000 crore in 2007-08, mainly because of the price war."



"Then sir, what do we do? We can't just stand there and get beaten up?"

"Ask yourself some questions, my friend, ask yourself a few questions!!!" Prof. Ram looked straight into Arjun's eyes. "Who exactly is your customer? What is the value proposition you offered? And has it been delivered in exactly the manner it was promised?"

"But the price..." Arjun looked puzzled. "Price war should happen only when your brand has been commoditised; when the customer comes and says, please give a FastFly ticket. But before that you must ask yourself – What is your USP (*unique selling proposition*)? Why should a customer pay you more and come back to you again for the second time?" the professor kept explaining to him as he was getting engrossed with the discussion.

"Well, we actually say that we make you travel fast at competitive price..." Arjun was about to explain further when he heard, "Wait a minute!!!" Prof Ramamurthy stopped him with a gesture of his hand questioning, "Does that actually happen? I am sorry Arjun, but the other day I took one of your flights from Mumbai to Delhi and reached there forty-five minutes late!"

"I know it's all those congestion in the airspace. Our aerodromes do not have the proper infrastructure – so unnecessarily our planes have to keep on

“Service marketing is about giving customers an experience, which makes them say, “Wow!”

roving in the sky burning the expensive ATF before they get the clearance to land,” replied Arjun defending himself. “And then, to make matters worse, we bill the passenger an air traffic congestion charge,” quipped Sharon.

“Exactly that!!! Now do you understand, Arjun – the USP that you are claiming has actually turned into a liability – you can no longer bank upon the claim that you make the passenger travel fast at competitive prices?”

“Then, what do I do? Should I cut fares and start a price war?” Arjun repeated his earlier question feeling like standing at the beginning of the discussion once again.

“No!!!” Professor explained to him, “If your old USP is not working, then create new USPs. Understand that service marketing is all about giving the customer a great experience. An

experience which will make her say, “Wow!!! I have got more than what I expected.” Don’t try just to satisfy the customer – try to delight her so that she comes back to you.”

He further added, “I will share with you an example – recently many of the companies have issued instructions to their executives to travel by LCC in order to save cost. The executives loathe that directive because they don’t get good food and free air miles in LCC. But here comes Kingfisher which says we will give you both good food and bonus points even if you travel by Kingfisher Red. And there you have a customer whose heart is all yours.”

“Understand this, my friend, these are tough times and you really need to ask yourself a lot of hard questions, as also your customers and your organisation. Do market research, read the customer feedback forms, have a one-to-one session with your flight attendants, talk to your customers – and I am sure you won’t have to cut prices. And if things still remain bad, maybe then you should go for a price war.”

It was quite late in the evening when the discussion with the erudite professor came to an end. As he was returning, Arjun pondered whether the discussion had riddled him with more questions than answers! **HP**