

Flying as One: Evaluating the Strategic Merger of Air India and Vistara

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Abstract

The merger of Air India and Vistara, two major players in the Indian aviation industry, represents a significant shift in the airline landscape. This research paper examines the strategic, operational, and financial implications of the merger, analyzing how it impacts competition, market positioning, and the overall industry structure. The study explores the motivations behind the merger, including cost synergies, market expansion, and the need for a competitive edge in a rapidly evolving industry. Additionally, the paper investigates the potential challenges faced during integration, such as brand alignment, cultural differences, and operational streamlining. Using a combination of qualitative and quantitative methods, this case analysis provides insights into how the merger could reshape the future of Indian aviation and influence global airline strategies.

Keywords: Merger, Aviation, Air Cargo, Synergy

Introduction

With the November 2022 announcement of the Vistara-Air India merger, Singapore Airlines will acquire a 25.1% interest in the Air India Group, creating one of the biggest airline conglomerates in the world. Vistara had a big influence on the Indian aviation industry in spite of its financial difficulties. As of July, the airline operated 70 aircraft and served 50 destinations, accounting for 10% of the domestic market. Wilson said, "The joint team is thankful for the support of our loyal customers as we move forward with this next phase of building a world class, world scale, global airline with an Indian heart. We look forward to offering our guests an expanded network, additional flight options, an enhanced frequent flyer program, and the best of both antecedent airlines."

1. Aviation Industry Market Dynamics – National

India's aviation industry now ranking as the world's third-largest market, with an expected 685 million air travelers by 2042, a Aviation Industry is the rapid growing industry in India, over the past 10 years India Aviation sector has been growing rapidly to 10% rate which is the approximately 2.5 times of the Global Average, apart from this, the operation has been 2 times in the country from 74 to 157 in 2014 to 2024 respectively, also the domestic air passenger has been double in the past decades, with a significant expand in the Indian Line fleets. This growth has leads to the competition in the market by, many new players have ended in the market like Akasa Air, and Fly91, Shankh Air, Alhind Air, Air Kerala, This sectors plays and important role, Providing around 4 Million jobs, 5% Contribution to country GDP, In 2022 the Aviation industry is valued at \$20 billion and its projected to be double to \$40 billion in 2027. Most of the market share comes from the domestic market, where as international market is slowly recovering from the pandemic. India is becoming a budget-friendly airline, with an Indigo and SpiceJet offering ticket at lower price to catering to the growing middle class eager to travel more. The Demand for the airplane maintenance and repair service as increases as air travel become more popular. It valued at \$88.7 billion in 2023. It is expected to grow to USD 139.4 billion by 2033, at a compound annual growth rate (CAGR) of 4.62%. Indian Aviation sector experiencing a research and development surge, Increasing the count of the airports, according to recent reports, India plans to develop around 200 new airports over the next two decades, aiming to increase the total number of operational airports to 300 by 2047, effectively doubling the current number of airports in the country. Key points about India's airport development plans Current number of airports: Around 157 operational airports. Target for 2047: 300 airports. Key initiative: The Regional

Connectivity Scheme (RCS-UDAN) to connect underserved areas. So, the Government and Private sector collaboration and Infrastructure investment aims to create a numerous of jobs in the next decades. As per R&D the future looks bright, especially for the international travel and cargo travel. Government initiatives like UDAN have improved the regional connectivity and, technological advancements such as AI and automation are bringing efficiency and cost savings.

Government Support. The government of India has responded to the growing demand for air travel by offering assistance.

NABH (NextGen Airports for Bharat) Nirman: An initiative to significantly expand airport capacity to handle a billion trips annually in the next 10-15 years.

GIFT City Advantage for Aviation Sector: Aircraft leasing and tax benefits, such incentive are been offered.

Regional Connectivity Scheme: This scheme has increased the air connectivity to smaller cities northeastern states.

AAI Startup Policy: Increasing the airport service with tie up with the stakeholders and also Promoting innovation.

A New Era of Growth: Government scheme like UDAN, Thanks to UDAN

Scheme, Because the count of Airport have increased from 74 to 140 in 2014 to 2022 respectively, which includes 31 international, As per the plans, India is going to have more than 200 airport in next 5 years out of which 21 new airport have approved, Government and private investment are fully focus to these projects, In 2023 Air India have ordered 470 jets from Airbus and Boeing, out of which 220 are from Boeing and 250 are from Air bus, which will take around 10 to 12 years to deliver, apart from this in 2023 the Indigo have place and order of 500 aircraft Single India's Largest Airline Order, its will deliver around 2030-2035, both Air India and Indigo hold around 81.3% Indian domestic market.

2. Aviation Industry Market Dynamics – Global

According to the Cognitive Market Research, the market size of the global Aviation Industry will be \$548415.2 million in 2024, and its CAGR will be around 4% from 2024- 2031. The Highest market share revenue have come from the Passenger Aircraft in 2024. The North America has the major share of 40% of the global revenue with a market size of \$219366.08 million in 2024 and will grow at a rate of CAGR of 2.2% from 2024 to 2031. Whereas Europe have a market share of 30% of the global revenue with a market size of \$164524.56 million in 2024 and expected to grow 2.5% of CAGR from 2024-2032, Also the Asia Pacific and Latin have a market share of 23% and 5% respectively , of the global revenue with a market size of \$126135.50 million and \$27420.76 million respectively in 2024 and the CAGR will grow at 6% and 3.4% from 2024-2032 respectively, and Middle east and Africa had a market share of 2% of the global revenue and its forecasted at a market size of \$10968.30 million in 2024, and will grow at a CAGR of 3.7% from 2024-2031. Key driver for market Dynamics of Airline Industry market would be Increased demand for air cargo, growing technological advancement, restraint Factor, impact of the COVID 19 and competitive landscape. Let's Understand a bit in details about key driver for market dynamics.

Increased demand for air cargo to propel market growth: - One of the main factors propelling the airline industry market's expansion is the rising demand for air cargo. Global supply chain integration and the emergence of e-commerce have raised demand for reliable and quick delivery services. By investing in specialized freighter planes, expanding cargo capacity, and enhancing logistics, airlines are benefiting from this trend. Demand is also boosted by the growing significance of carrying expensive, time-sensitive commodities like electronics and prescription drugs. By concentrating on air cargo, airlines may ensure long-term market growth by diversifying their revenue sources, boosting profitability, and lowering the volatility of passenger travel demand.

Growing technological advancements to propel market growth: - Increasing technical developments to drive market expansion the market for the airline industry is anticipated to grow significantly due to

technological advancements. Innovations in aircraft design, such as lighter materials and fuel-efficient engines, reduce operating expenses and their negative environmental impacts. While digital technologies like artificial intelligence and big data analytics enhance route planning, maintenance, and customer service, advanced avionics and navigation systems boost efficiency and safety. Automating the ticketing, check-in, and luggage processing processes improves operational efficiency and the traveler experience. Additionally, using in-flight connections and personalizing entertainment options increases customer satisfaction. By adopting these technology advancements, airlines can increase their competitiveness, reduce expenses, and meet evolving customer demands, all of which contribute to longterm market expansion and financial success.

Restraint Factor for the Airline Industry Market: -Changes in fuel prices significantly restrict the aviation industry's ability to grow. A sizable portion of an airline's operating costs are related to fuel. Changes in the price of crude oil are therefore a serious concern. Unexpected spikes in fuel costs can cut airline profit margins and force them to raise ticket prices, which could lower demand. On the other side, unpredictable drops in fuel prices create problems for financial planning and budgeting. Furthermore, it can be expensive and challenging to find hedging options for managing gasoline price concerns. Long-term strategy planning, fleet upgrade investments, and other capital expenditures are made more difficult by this uncertainty. Airlines must thus continually adjust to changing fuel prices, which jeopardizes their ability to sustain steady and competitive operations and restricts overall market expansion and profitability.

Impact of Covid-19 on the Airline Industry Market: - The market for airlines was significantly impacted by the COVID-19 epidemic, which resulted to an unprecedented decline in demand for air travel. Health issues, quarantine regulations, and travel limitations caused a sharp decline in both passenger and freight flights, which resulted in large financial losses. Due to severe liquidity problems, some airlines had to postpone fleet expansions, downsize, and furlough personnel. Additionally, the pandemic has accelerated advancements in digital transformation and healthcare practices, like contactless check-in and enhanced sanitation. Domestic travel has recovered more quickly than international lines, but the recovery has been uneven and slow. The pandemic brought to light the industry's susceptibility to worldwide health emergencies, which prompted a reconsideration of corporate strategies and a stronger focus on resilience and adaptation to handle future shocks.

Competitive Landscape of the Airline Industry Market: - Global, regional, and low- cost airlines compete fiercely for market share and profitability in the aviation industry. Route networks, fleet size, service quality, cost effectiveness, and brand recognition are some of the elements that affect the competitive landscape. Key companies keep evolving and adjusting to changing market conditions, regulatory requirements, and technological advancements in order to maintain a competitive edge. Numerous key factors can be used to study the competitive landscape of the aviation business.

3. Overview / background of Air India: -

The flag carrier of India is Air India. With a fleet of Airbus and Boeing aircraft, it serves 102 local and international destinations and is owned by Air India Limited, a company of the Tata Group. Its main office is in Gurugram. Along with a number of target cities throughout India, the airline's primary hub is located at Indira Gandhi International Airport in Delhi, with auxiliary hubs at Kempe Gowda International Airport in Bangalore and Chhatrapati Shivaji Maharaj International Airport in Mumbai. In terms of passengers carried, the airline is the second-largest in India as of July 2023, behind IndiGo. On July 11, 2014, Air India joined Star Alliance as its 27th member. Airline was founded by JRD Tata as Tata Airline in 1932, He himself flew its first single engine carrying air mail. Tata Airline was nationalized in 1953 by the Government of India and it was renamed as Air India, the first Asian airline to have a jet aircraft in its fleet was the Air India and also it was the first Airline to get full jet engine fleet in 1962. The Air India expanded its international routes except South America, it was an first Airline to fly directly from New York to Delhi non Stop. Air India Merger with Indian Airlines took place in 2006, to form a National Aviation company of India Ltd, which was renamed as Air India Ltd in 2010, from 2006 onwards, after its merger with Indian Airlines it suffers losses, in 2022 after 69 years Air India was return backed to Tata group after being privatized. Air India is also a member of the Star Alliance, which is the world's largest airline group.

4. Overview / Background of Vistara: -

Vistara is the joint venture of Singapore Airlines and Tata Sons, where, 51% Partnership is of Tata son and remaining 49% partnership of Singapore Airline, In 2023, two famous brand, Tata Sons and Singapore Airline, realize a long-held goal to provide air travelers with a unique flying experience. Given its close historical connections to aviation, After Tata Airlines was renamed as Air India and got nationalized, Tata group had a long wished to come again and enter into a aviation sector. Both Singapore Airlines and the Tata Group had previously attempted to enter the Indian aviation market because they were strong proponents of the industry's potential for expansion. In 1994, they established a joint venture to launch an airline in India, and in 2000, they joined forces to acquire shares in Air India. However, the partners reapplied for approval of a tie- up in October 2013 when the limits on foreign investment were lifted in 2012. TATA SIA Airlines Limited, Vistara's parent company, was established on November 5, 2013. The joint venture's shared objective is to revolutionize air travel in India by offering Indian passengers a smooth, customized flying experience that combines the renowned hospitality and service quality of SIA and Tata. The Sanskrit word "Vistara," which means "a limitless expanse," is the source of the brand name "Vistara." The "limitless" sky that Vistara lives in serves as the idea for the name. Additionally, the brand uses the infinite, blue horizon that travelers see through Aeroplan windows as the picture that people most strongly identify with a comfortable and joyful ride. Vistara's brand motto, "fly the new feeling," aspires to revolutionize the flying experience for Indian traveler's. Vistara began operations on January 9, 2015, when it launched its first flight from Delhi to Mumbai. Vistara has quickly increased the size of its network and service offerings in a short period of time. With a fleet of 70 aircraft, including 53 Airbus A320neos, 10 Airbus A321neos, and 7 Boeing 787-9 Dreamliners, Vistara offers more than 300 daily flights between 50 locations both inside and outside of India. Since it began operating, Vistara has already transported over 65 million satisfied passengers.

5. Objectives and Rationale behind the Merger

- a. Strategic Goals
- b. Merging Plan
- c. Regulatory and Financial Considerations
- d. Market Impact and Competitive Landscape

The goal of coordinating operations and avoiding brand competition is the reason behind the merger and also the objective of the merger is to provide consumers with a smooth, full-service experience under the Air India name. Also, the merger is to increase both businesses' global footprint and gain a bigger portion of the domestic market. Aim to capture larger market share in Aviation Industry. This Merger will help in international growth, because Air India is part of the Star Alliance. The merger leads to cost reduction, Market Expansion, enhancing the customer experience, Strong market position, Operational Efficiency.

Strategic Goals: -

The merger is intended to achieve various strategic goal, such as, Strength, due to the merger, it will combine the strength of both airline, which offer a full-service experience under Air India brand. Improve Network, merger will help to expand the network, international routes. Market Share, the merger will have to capture a larger market share (domestic Market) in airline industry. The international presences will also improve due to this merger, merger will help to avoid the brand competition, offering a consistent quality service to the customer. The merger will help to enhance the customer service.

Merging Plan: -

Vistara and Air India are joining forces to develop a world- class airline with an Indian heart as part of Air India's exciting transformation path. Company is working tirelessly to make sure customer receive the best of both worlds, making every flight a testimonial to our quality and every journey extraordinary. Merging plan

would leads to Integration strategy, plan for integrating operations, including staff, fleets and technology. Approval, getting a Regulatory approval from the Aviation authorities to finalize the merger. Stakeholders, to ensure transparency and build a trust with the stakeholder, its necessary to communicate with the Stakeholder about the merger plans.

Regulatory and Financial Considerations:

From Regulatory point of view Implementation of aviation regulations, the merger complies with the rules established by India's Directorate General of Civil Aviation (DGCA) and other pertinent authorities in order to advance fairness, competition, and safety in the aviation industry. Approval of Antitrust and Competition, obtain approvals to prevent anti-competitive issues and make sure the merger doesn't lead to monopolistic situations that can hurt customers. Protection of Consumers, in order to preserve fair pricing and service standards after the merger, take care of any regulatory requirements pertaining to consumer rights and fare structures. Operating Permits and Licensing, make sure the combined company complies with all required permits to run routes efficiently and that the operating licenses of the two airlines are aligned. Stakeholder engagement throughout the process of merger will help to facilitate smooth flow of process, stakeholder include regulatory bodies, labor unions, etc. on the other hand Financial Consideration would leads to Cost saving, Analyzing, and identify and also realizing the cost saving, from Shared service, reduced operation redundancies, which will enhance overall financial performance. Merger also leads to Increases in Revenue, offering a combine network and service would enhance passenger traffic, which will lead to increases revenue, through better load factors and pricing strategies. Merger will also help to improve the credit ratings for the future borrowing by balancing both airlines financial liabilities. Overall company will generate a good amount of revenue by taking this merger decision

Market Impact and Competitive Landscape: -

- **Market Dominance:** - Tata group aims by merging is to enhance the market share in the full-service segment to challenge IndiGo's dominance.
- **Expansion:** - Both Airline can better compete on international route, especially longhaul flights, by utilizing Vistara premium high-quality in- flight experience.
- **Utilization:** - The merger will help to maximizing aircraft utilization overall domestic and international destination, because merger will allows for better route scheduling and planning, which will eliminating overlapping of aircraft service
- **Impact on Competition:** - Given that the merged company may have substantial market power, there are some worries that the merger may lessen competition in the Indian aviation market, especially in the full-service sector.

All things considered, the Vistara-Air India merger is a calculated move by the Tata Group to improve its standing in the Indian aviation industry by building a strong full-service airline with a larger network and a competitive advantage. The goal is to increase the company's market share both domestically and internationally while providing passengers with a more complete travel experience. Tata hopes to improve network planning and streamline long-haul operations by combining Vistara, especially on competitive routes like Delhi to London. Club Vistara, Vistara's loyalty program, will combine with Flying Returns from Air India to provide passengers with smooth transitions.

6. Strategic Challenges

The key strategic challenges faced by Vistara and Air India in their merger include, maintaining Vistara's premium service standards while integrating with Air India's older fleet, managing employee concerns regarding job security and potential downgrading of roles, harmonizing loyalty programs, navigating complex network planning to optimize routes, and ensuring a smooth customer transition while competing against established international carriers like Emirates and Qatar Airways; all while Air India simultaneously works to upgrade its infrastructure and overall service quality to match Vistara's reputation. Some key points

about the Challenges

- **Service Level:** As Vistara provides Premium service in-flight experience, if the same Premium service is not provided by the Air India, then it would be dissatisfaction among loyal flyers of the Vistara.
- **International Competition:** - On long-haul routes, the combined company will have to fiercely compete with well-established international carriers, particularly those from the Middle East, who are renowned for their excellent service standards. **Fleets Modernization:** - Relatively Air India aircrafts are older fleet compared to Vistara Newer aircraft, so Air India required a significant investment in the fleet upgrades to maintain same level of aircrafts or competitive edge.
- **Employee Integration:** - Since two distinct employee structure and the airline culture is getting merger would leads to the concern about the Security of the Job, about the Role changes, potential disruption in operation.
- **Optimization of the network:** - Strategic planning is important when combining the route networks of both airlines in order to optimize efficiency and prevent needless competition on overlapping routes.

The loss of several of Vistara's exclusive airline and non-airline agreements, however, continues to raise worries. However, Air India's battle with Middle Eastern behemoths like Emirates, Etihad, and Qatar Airways, who control Indian international routes, presents a greater obstacle.

7. Expected Outcomes / Future Outlook: -

The Merger will have many outcomes, such as Market Shares, Network, Loyalty benefits, In-flight experience, Credit Cards. Let's understand each,

- **Credit Cards:** - Club Vistara will combine with Air India's Flying returns, the points of club Vistara earned through credit card will be converted to Air India flying returns points automatically at a 1:1 ratio with extended validity.
- **Market Share:** - After getting merger, Air India will have larger market Share in Domestic market, also will have to gain international market.
- **Network:** - The Merger will create a larger network with more flights and Destination.
- **Loyalty Benefits:** - For the rewards point's redemption the club Vistara member will have more than 20+ airline partners through Star Alliance.
- **Capture of International Market:** - Since the Air India is the member of the Star Alliance, this will have to gain more market Share in International market after the merger.

8. Evaluate the current impact of the merger on market competition and consumer experience

i. Impact on Stakeholders: -

About 600 non-flying employees are anticipated to be impacted by the consolidation, sources stated Wednesday, marking a significant development since the announcement of the merger between Air India and Vistara. Work is being done to help these workers find employment within the larger Tata Group and Air India companies. With both airlines owned by the Tata Group, the merger will change the makeup of their combined staff of more than 23,000. According to those with knowledge of the transaction, the integration process may affect about 600 workers, mostly in non-aviation positions. Offering different positions within Air India or other Tata Group companies is one of the plans. According to people briefed on the situation, those who are unable to locate acceptable placements would have the choice of a voluntary separation plan. After the merger is completed, which should happen by late September or early October, the final number of impacted employees will be ascertained. At this point, Air India chose not to comment on the situation. A critical phase before the merger, the fitting process has been going on for a few months, assessing workers according to performance, experience, and other factors. Notably, the merger is anticipated to have no impact on pilots or cabin personnel, guaranteeing continuity in their operational duties. A move

towards a more technologically orientated approach is reflected in the merger strategy, which calls for improving technological integration and harmonizing organizational structures. Employees were promised a fair fitting process based on competence and merit during a recent town hall meeting hosted by Vistara CEO Vinod Kannan and Air India CEO Campbell Wilson.

ii. Consumer experience: -

Customers are currently experiencing a largely seamless transition with the "Vistara experience" largely maintained on flights, including routes, schedules, in-flight services, and crew, while now operating under the Air India brand, with the key change being the flight numbers transitioning to Air India codes; the airline is

actively providing support at airports to guide passengers through the changeover and ensure a smooth experience.

Key points about the impact on customer experience:

- **No major disruption to in-flight experience:** Vistara's existing service standards, including food, amenities, and cabin crew, are being continued on flights now operated as Air India.
- **Same routes and schedules:** Customers can expect to fly on the same routes and at similar times as they did with Vistara.
- **Air India branding and flight numbers:** Flights will now be identified with Air India flight numbers, while maintaining the quality associated with Vistara.
- **Assistance at airports:** Air India has deployed dedicated staff at airports to assist passengers transitioning from Vistara to Air India, including help desks and informational signage.
- **Loyalty program integration:** Vistara's loyalty program members are being migrated to Air India's loyalty program with equivalent tier status maintained. Overall, the goal of the merger is to provide customers with the high-quality experience
- associated with Vistara while leveraging Air India's network and scale, aiming for a seamless transition with minimal disruption to the passenger experience.

9. Strategic and Operational Risks: -

There are various risk related to Strategic and operational, Lets understand each

i.Strategic Risk

- **Market Positioning:** Combining two unique brands with disparate clientele and market positions may weaken brand identification and cause misunderstandings among buyers.
- **Regulatory Scrutiny:** Regulatory agencies frequently examine mergers and may impose requirements that could compromise strategic direction and operational freedom.
- **Competition:** Low-cost and full-service airlines may present a greater threat to a merged company, which could result in price wars and lower profitability.
- **Cultural Integration:** Conflicts, employee discontent, and retention issues may arise from Vistara and Air India's different corporate cultures.
- **Network Optimization:** It can be difficult to align schedules and routes to maximize network efficiency, and there is a chance that some markets will be over- or under-served.

ii. Operational Risk

- **Integration Difficulties:** Combining technology, systems, and processes can cause operational disruptions

that affect customer service and operational effectiveness.

- **Fleet Management:** In order to balance maintenance, utilization, and operational expenses, the combined fleet may need sophisticated management, which could result in inefficiencies.
- **Staffing Issues:** If consolidation is not properly managed, it may result in layoffs or personnel imbalances that affect employee morale and service quality.
- **Customer Experience:** Modifications to operating protocols, loyalty plans, and service offers may drive away current clients, which could have an impact on satisfaction and retention.
- **IT System Integration:** Combining data and IT systems can be dangerous and may result in service interruptions, data breaches, or consumer information loss.

10. Long-Term Implications: -

The merger of Vistara and Air India, will lead to several Long-term implications,

- **Enlarge global network:** - More direct flights to major hubs, more long-haul routes, and increased services across continents are just a few of the places that travelers will be able to reach thanks to the merger.
- **Biggest airline conglomerates:** - With Singapore Airlines purchasing a 25.1% share in the Air India Group, the merger will result in one of the biggest airline conglomerates in the world.
- **Effects on credit cards:** - After September 30, 2024, no new Vistara credit cards will be issued, and after March 31, 2025, no renewals of current cards will be accepted.

11. Impact on Various Stakeholders

Although there are still concerns about the integration of disparate service standards and the possibility of job losses among non-flying staff at both airlines, the merger of

Vistara and Air India is anticipated to have a significant impact on the Indian aviation industry by creating a larger, more competitive full-service carrier with a wider network. This could result in better pricing options for passengers, improved service quality, and increased competition for other airlines

i. Passengers: -

- **Better service quality:** Vistara's stellar in-flight reputation may raise Air India's bar for overall customer care.
- **Expanded network:** Having access to more domestic and international routes via a single network.
- **Loyalty program integration:** - Club Vistara members will be transferred to Air India's Flying Returns program, which may offer additional perks and tier status modifications, as part of the loyalty program integration.
- **Possible price changes:** The merger may have an impact on ticket prices, contingent on competition and market conditions.

ii. Employees: -

- **Reorganizing jobs:** As operations and systems are merged, there is a chance that employees will be streamlined, especially in non-flying roles.
- **Voluntary separation schemes:** - In order to handle layoffs, certain employees may be given the opportunity to resign voluntarily.
- **Career opportunities:** Employees with necessary abilities have the opportunity to advance their careers inside the integrated airline.

iii. Competition: -

- **Increased pressure on other airlines:** Other full-service carriers operating in the Indian market may face greater competition from the combined company.
- **Consolidation of market shares:** Possibility of the united airline gaining a bigger market share.

iv. International operations:

- **Expanded worldwide reach:** Air India could more successfully compete on international routes by utilizing Vistara's knowledge and connections.
- **Influence of Singapore Airlines:** Stronger alliances and access to global markets may be made possible by Singapore Airlines' ownership of the merged company.
- **Technology and operations: System integration challenges:** Integrating different IT systems and operational processes from both airlines could be complex.
- **Fleet modernization:** Potential for fleet upgrades with newer aircraft to enhance passenger experience.

12. Regional Connectivity and Impact: -

The merger of Vistara and Air India is expected to significantly increase regional connectivity in India to small cities by combining the Networks and offering more flight options, competition on domestic routes and potentially leading to increased accessibility. Let's understand some key points about the impact on regional connectivity.

- **Expanded Network:** - By merging their route networks, the combined airline will be able to reach more local towns and cities, possibly opening up new regional destinations that neither carrier had previously adequately covered.
- **An increase in the frequency of flights:** - The combined company may be able to provide more regular flights to regional locations, giving passengers more flexibility, thanks to its larger fleet and combined operations.
- **Better service quality:** By incorporating Vistara's renowned premium in-flight experience onto regional routes, the overall quality of domestic flights may be improved.
- **Competitive pricing:** There's a chance that the merger could boost competition on regional lines, which might mean lower costs for travelers.

13. Technology Integration and Innovation:

By combining back-end systems, passenger reservation platforms, loyalty programs, and a focus on digital upgrades, the merger of Vistara and Air India is fostering significant technological innovation and integration. This allows for a more efficient customer experience while utilizing the technological strengths of both airlines, including the migration of Vistara's sophisticated systems onto Air India's platform, which could result in increased operational efficiency and a more cohesive digital presence throughout the combined airline group. With more than 45 lakh loyalty program members and over 2.7 lakh passenger reservations now transferred to Air

India's digital systems, the back-end systems and technological integration between the two air carriers have accelerated as Vistara's merger with Air India created special features and customer relationship management through,

- **Integration of loyalty program:** Members of Club Vistara are being transferred to Air India's Flying Returns program, which offers the possibility of improved perks and a more cohesive loyalty experience.
- **Digital upgrades:** It is anticipated that the merger could hasten Air India's digital transformation, possibly integrating cutting-edge technologies from Vistara's technology stack, such as chatbots driven by artificial

intelligence for customer support.

- **Data analytics:** By combining information from both airlines, useful insights for pricing plans, route optimization, and customized customer experiences may be obtained.
- **System consolidation:** The integration of more than 140 systems from both airlines, including reservation systems, enables the smooth transition of Vistara reservations to the Air India platform.

14. Market Segmentation and Customer Loyalty: -

i. Market Segmentation: -

The Expected market segmentation is to see a stronger full-service carrier segment, with the merged entity, aiming to capture the larger share of Domestic and International Market, Enhancing the Vistara higher service standards, while utilizing Air India networks; this will help to give them an important competition to other full-service airline in Indian market.

Key points about the market segmentation after the merger

- **Premium Full-service Carrier:** - The primary focus is to provide a premium fullservice experience, combining the best aspects of both the company.
- **International Expansion:** - The merged entity will aim to expand its international operations with a larger fleets and network, targeting long- haul routes.
- **Domestic Market Dominance:** The merger is expected to enhance AirIndia's position in the domestic market, providing Full-service carriers
- **Low-Cost Carrier Segment:** Air India Express, a division of Air India, will continue to function as a distinct low-cost carrier for travelers on a tight budget, even if the combined company would concentrate on the premium market.

ii. Customer Loyalty: -

In the first month post-merger, Air India expects to serve around 1,15,000 passengers who had pre-booked on Vistara. Meanwhile, 2,70,000 Vistara customers have already been transferred to Air India's system. The loyalty transition is underway, with over

4.5 million Club Vistara members being migrated to Air India's Flying Returns programmed, which will be rebranded as the "Maharaja Club. "Through improved service quality, a larger network, and a single loyalty program, the Vistara-Air India combination has the potential to greatly increase consumer loyalty if managed properly. Retaining consumers will depend on how well the unification process is handled while preserving the unique benefits of both airlines. In the very competitive Indian aviation market, the new airline company can cultivate enduring loyalty by skillfully utilizing the power of the Tata Group brand and making sure that customer- centric ideals stay at its core.

15. Financial Impact Analysis: -

The Vistara and Air India merger is expected to have a positive financial impact for the Tata Group, primarily by creating a larger, more competitive airline with a wider network, potentially leading to increased market share, higher revenue, and improved operational efficiency, while also allowing for cost synergies through fleet consolidation and streamlining operations; however, the initial integration costs and potential disruption to customer loyalty could present short-term challenges. Key potential positive impacts:

- **Market dominance:** Combining Vistara's premium service with Air India's extensive network could significantly enhance their position in the Indian aviation market, allowing them to capture a larger share of the passenger traffic.
- **Revenue growth:** larger fleet and wider route network could lead to increased ticket sales and higher revenue generation.

- **Cost synergies:** Combining operations could lead to economies of scale, including reduced overhead costs, better aircraft utilization, and potential savings on procurement.
- **Improved profitability:** By optimizing operations and leveraging the combined strengths of both airlines, the merger could improve overall profitability.
- **Enhanced customer experience:** With Vistara's premium in-flight experience integrated into Air India, the merged entity could offer a more attractive product to high-end passengers.

Overall, the financial impact of the Vistara-Air India merger is likely to be positive in the long run, with potential for significant market share gains and improved profitability, but the initial phase may involve integration challenges and potential short-term disruptions.

16. Competitive Analysis: -

By combining the strengths of both carriers, the merged company will become a more powerful force in the Indian and international aviation sectors. By contrasting the post-merger company with other significant airlines, both domestically and abroad, the main competitive dynamics can be examined.

The merger of Vistara and Air India is expected to have a number of competitive implications, including:

Competition with other airlines: -Air India will face competition from other airlines including:

Middle Eastern airlines like Emirates, Etihad, and Qatar Airways dominate Indian international routes.

Indigo: India's largest low-cost airline is expanding its international footprint

i) Keys Competitor in India

a. IndiGo: -

- i) **Market Position:** The biggest low-cost airline (LCC) in India, with a commanding lead in both local and foreign markets.
- ii) **Strengths:** Low-cost structure, wide domestic network, highly efficient operations, and great customer loyalty (because of its consistently low prices).
- iii) **Challenges:** Does not offer premium services or international expansion, particularly in long-haul markets, which the combined Vistara-Air India company may take advantage of.

b. SpiceJet:

- i) **Market Position:** Low-cost airline with expanding international flights and a significant domestic presence.
- ii) **Strengths:** Recent forays into cargo and charter services, expanding network, and competitive pricing.
- iii) **Challenges:** Having trouble with customer service and unstable finances. It is up against fierce competition from IndiGo and, more recently, a combined Vistara-Air India company that may take over the full-service market.

c. Go First, formerly known as GoAir:

- i) **Market Position:** Low-cost airline with a growing global footprint that focusses on domestic routes.
- ii) **Strengths:** Reasonably priced tickets and new network expansion. iii) **Difficulties:** Limited branding and service difference in comparison to IndiGo and other market leaders.

ii) Key Competitor in International Market

Middle Eastern airlines Etihad, Emirates, and Qatar Airways are the key global competitors with the following strengths and challenges,

- **Market Position:** Global super-connectors with robust service offerings and wide international networks.
- **Strengths:** Strong brand equity, great customer loyalty, worldwide network, and opulent services.
- **Challenges:** With the support of the Tata Group, the combined Air India-Vistara company may pose a threat to their market domination, especially in Southeast Asia and India.

iii) **Competitive Strengths of the Merged Entity**

- **Increased Reach and Network Strength:** The merger enables the merged company to take advantage of a bigger network, linking more domestic and foreign locations. A wider and more competitive network is produced by the complementary premium service offerings of Vistara and the vast global routes of Air India.
- **Fleet Modernization:** Despite Air India's ageing fleet, a more robust renewal strategy is made possible by the merger. By bringing in cutting-edge aircraft that could eventually lower costs and increase operational efficiency, Vistara's contemporary fleet can hasten fleet renewal.
- **Service Differentiation:** Vistara's high-end positioning and superior service might set it apart from budget airlines like SpiceJet and IndiGo. Furthermore, a more upscale and customer-focused identity might be created by utilizing the Tata Group's well-known brand.
- **Loyalty Program Integration:** By integrating Club Vistara and Flying Returns, the merger may result in a single loyalty program that gives passengers greater freedom, better perks, and access to a wider range of incentives. This could improve client loyalty and retention, particularly in the premium market.
- **Pricing Power:** In both home and foreign markets, a combined company would have greater pricing power. It can serve a wider range of clients by providing a combination of first-class and low-cost services. Furthermore, affordable price without sacrificing service quality may be possible due to operational efficiency.

iv) **Possible Drawbacks and Difficulties**

- **Risks of Integration:** - There may be difficulties with integration, operational synergies, and brand alignment if two major carriers merge. Customers may become confused if Vistara's contemporary, high-end image conflicts with Air India's traditional positioning.
- **Costs of the Fleet and Maintenance:** Air India's ageing fleet is a persistent issue. Until fleet modernization takes place, some aircraft's high maintenance costs and outdated technology may make them less profitable, especially in the short term.
- **Cultural and Operational Disparities:** Air India's bureaucratic heritage contrasts with Vistara's customer-first philosophy. It could be difficult to combine these two corporate cultures, especially when it comes to operational alignment, customer service, and employee morale.

The Effect of Strategic Positioning on Competition, by combining the advantages of both airlines, the Vistara-Air India merger produces a new, more formidable rival in the Indian aviation market. By providing a wider range of services, the merged company may compete with local carriers and international carriers, particularly in the premium market. However, achieving the full potential of this merger will require modernizing the fleet, combining the two brands, and coordinating operational objectives. The merger makes the combined company a formidable competitor in both home and foreign markets thanks to the support of the Tata Group and a more cohesive approach to operations and customer care. Its ability to stand out from low-cost rivals and upscale international carriers while retaining client loyalty, however, will determine how successful it is.

17. Global Market Positioning post-merger: -

i) Stronger Global Network: -

- **Increased Global Reach:** Air India's vast international network, which includes important long-haul flights between India and North America, Europe, the Middle East, and Southeast Asia, will be passed on to the combined carrier. Despite having a narrower reach, Vistara has made significant strides in areas like Southeast Asia and the Middle East. In important foreign markets, the merged network will now be able to compete more successfully with multinational firms.

- **Hub Approach:** The major hubs, particularly Delhi (DEL) and Mumbai (BOM), will develop into more robust regional entry points to North America, Europe, the Middle East, and Asia-Pacific. Through the merger, India will become a more competitive option to Middle Eastern hubs like Dubai (DXB) and a major transit hub for travelers commuting between Asia, Europe, and North America.

ii) Premium and Business-Class Offering: -

- **Premium Services to Compete with Global Giants:** -The united company may be able to provide first-rate services and a high level of revenue thanks to Vistara's premium service and stellar reputation. In the high- margin foreign markets, this will pose a direct threat to well-known international companies like Singapore Airlines, Qatar Airways, Emirates, and Cathay Pacific. Vistara's influence can now counterbalance Air India's previous reputation for poor service, making the airline a significant rival for business travelers between important foreign markets.

iii) Codeshare Agreements and Alliances: -

- **Star Alliance:** - One of the biggest international airline alliances in the world, Star Alliance, already included Vistara and Air India. By strengthening its position within Star Alliance, the united company will be able to provide more comprehensive connectivity across continents, especially to and from India. Better integration in luggage handling, frequent flyer programs, and cooperative advertising will also result from this.

- **International Airline Alliances:** In order to increase its global presence and competitiveness in foreign markets, the combined airline may try to forge closer ties with Middle Eastern, American, and European airlines in order to sign codeshare agreements.

iv) Strategic Focus on Key Global Markets: -

- **U.S. and North America:** On transatlantic routes that link India to important U.S. cities like New York, Chicago, and San Francisco, Air India already has a strong foothold. Adding Vistara's service levels can improve the whole experience, especially when it comes to high-end travel. As one of the world's fastest-growing air travel corridors, the combined company will be well-positioned to meet the rising demand for travel between the United States and India.

- **Europe:** Travel between India and the EU, the UK, and Russia continues to be in high demand, making Europe a crucial market for the combined airline. In direct competition with European airlines such as Lufthansa, British Airways, and Air France, the combination will allow for a more competitive offering on busy routes to London, Frankfurt, Paris, and Amsterdam.

Findings

1. Vistara's premium service is expected to elevate Air India's brand value
2. Financial benefits include cost synergies and operational efficiencies and financial growth
3. The merger aligns with Tata Group's long-term strategy to create a global airline
4. Merger created India's largest full-service airline with significantly enhanced domestic and international market place

5. Fleet consolidation and route integration has enhanced efficient aircraft utilisation through fleet consolidation, reducing duplication while expanding passenger connectivity with a larger domestic and international network
6. Brand unification has strengthened global brand recognition generating substantial opportunities for availing the economies of scale in procurement and other operations, making it highly cost effective
7. Integrated loyalty program has improved customer retention and cross selling opportunities

Recommendations

1. AI-integrated Command Centre to monitor real time operational, financial and customer synergy realisation will induce more business effectivity
2. Customer satisfaction may be enhanced by developing a single premium customer experience blueprint combining Vistara's service excellence with Air India's global network strength
3. Predictive analysis may help in dynamic route and fleet optimisation thereby maximise aircraft utilisation and profitability
4. Unified Aviation Innovation Lab can accelerate transformation through AI, IoT, blockchain and automation
5. Cross functional leadership exchanges along with deeper employee engagement will inculcate a more cohesive and strong cultural integration framework
6. Introducing innovative and experiential hyper personalised customer engagement schemes by integrating customer loyalty, behavioural travel data to improve retention and ancillary revenue
7. Investing in Sustainable Aviation Fuel , carbon analytics and green airport operations will position the merged entity as a global sustainability leader

Conclusion: -

A strong participant with improved capabilities on the international aviation scene is created by the merging of Air India and Vistara. The combined airline will be positioned as a strong competitor in both the long-haul and regional sectors by fusing Vistara's premium service offering with Air India's vast worldwide network. The plan will probably focus on using Vistara's stellar service reputation and Air India's size to attract both business and leisure passengers from a variety of market niches. The merged airline is well-positioned to compete with low-cost carriers in the price-sensitive market segments while also taking on the biggest international competitors, especially in the premium travel industry. But there will be a lot of obstacles to overcome, including integration risks, brand issues, and rivalry from other multinational behemoths. The success of this merger will depend on how well the new entity can balance premium service with operational efficiency and compete on a global scale.

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