

Business Class Expansion and Customer Service: Strategic Challenges for IndiGo Airlines

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IndiGo Airlines, which is India's largest low-cost airline, is ready to launch its Business Class service, which goes by the name Indigo Stretch. This will be starting from November 14, 2024 [1]. The carrier has primarily drawn cost-sensitive, leisure travelers expecting a trouble-free, quality travel experience at cost-conscious prices. IndiGo now has to serve a new, though much more demanding, customer group without forgetting its core low-cost offering. The introduction of Business Class is at a moment when IndiGo is already facing enhanced scrutiny concerning customer service as a result of certain complaints that have been lingering over time [3]. In this case study, an effort would be to see how such an institution of Business Class could change the dynamics of customer service with IndiGo and if the airline can effectively balance the emphasis on cost saving and premium fares in front of passengers' higher expectations of service.

Background

In a very short period of four years after its inception in 2006, IndiGo earned a household name in the Indian aviation market.

The airline gained popularity as the first choice for low-cost travelers due to the emphasis on punctuality, efficient operations, and low-cost services. Within the years since inception, IndiGo built a very strong network within India and shortly became the market leader in India [2]. It is, in essence IndiGo's low-cost, no-frills service model that so quickly brought about success and presented options that were lower to customers at the cost of luxury add-ons. However, IndiGo is changing this approach with the introduction of Business Class on a few routes. The airline aims to enter the premium market with higher-yielding travelers-business travelers who want more than a bare-bones offering [1]. Even if this is being seen as part of a push for diversification, IndiGo will have to compete with the service provision nature for the two streams of passengers.

The Struggle with Customer Service: A Long-Standing Problem

IndiGo has been criticized over customer care for years now. Passengers very often complain of rigid policies and hard lines that create a feeling of not being treated with care [3] .

The cancellation, refund, rebooking rules are extreme and thus featured prominently in the list of complaints of many customers. For instance, many travellers in Quora and Team-BHP have complained that they are unable to get back their money or even change their tickets, even if they are compelled to cancel for reasons that cannot be avoided—for example, medical emergencies. This made people criticize IndiGo for its lack of interest in the satisfaction of travellers. All this despite operational efficiency, IndiGo's customer service still remains hostile and apathetic [2]. Complaints related to ground staff, who appear incompetent and unwilling to go out of their way, and flight attendants, who are stress-underbuilt, have further added to the airline's poor customer service reputation [3].

The New Era: Will Business Class Solve or Create More Problems

The introduction of IndiGo Stretch represents a bold move aimed at attracting a more upscale clientele, particularly frequent business travellers. Passengers in Business Class will benefit from enhanced comfort with larger seats, priority boarding, and premium services [1]. Specifically, the Business Class seats will feature:

- **Roomy Construction:** A pitch of 38 inches and a width of 21.3 inches for enough legroom.
- **Adjustable Functions:** A six-way adjustable headrest and a 5-inch deep recline for comfort.
- **Convenience Facilities:** In-seat charging points for electronic devices and multiple storage options.

It has also partnered with Oberoi Catering Services to customize restaurant-prepared meal alternatives for its Business Class travelers. However, this transition is accompanied by significant challenges; more specifically, it is the compromise in Economy that becomes problematic for an airline since over half of its traffic is from Economy.

Economy class travelers would be ignored if not well-planned compared to Economy since the resources would be allocated to enhance Business Class services more [3].

Balancing Luxury with Efficiency: The Service Divide

IndiGo's no-frills business model has essentially long been an exercise in streamlining costs and getting the price of the ticket as low as possible. Of course, offering Business Class will modify the equation a little bit.

Passengers on Business Class will expect better attention, a higher service level, and that would clash with the fact that economy class passengers are getting less attention or substandard treatment.

The threat of a service divide is far from hypothetical: Economy passengers can be counted as disbenefited as Business Class appears to invade their experience [2]. The new and enhanced amenities for Business travelers will annoy the Economy flyers, who have grown used to IndiGo's no-frills but efficient service. If Economy travelers believe that the airline has focused its efforts elsewhere, they will be doubly annoyed with these changes [3]. IndiGo cannot serve the same value to its high-end passengers and at the same time have the operational efficiency to as great a degree as it has become popular among budget travelers.

Keeping Old Customers Happy While Attracting New Ones

With penetration into the Business Class market, it will be critical to keep the loyal Economy Class travelers who have accompanied the airline throughout its ascendancy. The airline must continue high-value service for the Economy passenger so they also feel appreciated alike while the airline caters to premium passengers. Economy customers will perceive the airline as Business Class-preferential and leave the latter class with lower value behind. They will seek their alternative elsewhere. IndiGo will witness a draining of its profitable core customers if this changeover was not handled. Punctuality, individual service to the customer, and fair cost for Economy passenger constitutes the crucial pillar of retention [1]. It has to, simultaneously, see to it that a better product is attractive to its new consumers, of whom corporate clients are a subset, who appreciate such a product. In this case, both sets of customers are content; once again, IndiGo will see that the premium segment's growth opportunities are healthy without compromising its existing clients.

Conclusion

With the introduction of Business Class, IndiGo Airlines is at a crossroads. The airline needs to maintain its low-cost, efficient service for Economy passengers while providing a premium experience for Business travelers. For this new venture to be successful, IndiGo needs to address its long-standing customer service issues, ensuring that both segments feel valued. By adopting a customer-centric strategy, effective training of staff, embracing feedback and innovation, IndiGo can ride over the hurdles in the future to become both an affordable and a premium airline.

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