

# A Comparative Study on Analysis of Catering Expenses in Aviation Industry (Air India)

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## ABSTRACT

The study was conducted to determine and analyse the expenditure incurred on airline catering services by Air India Limited, Bangalore. This will help to analyse how expenditure incurred on airline catering services have evolved during the investigated period. Aviation in India can be broadly categorized into navy aviation and civil aviation. Navy aviation is the usage of army plane and different flying machines for the motive of engaging in or permitting aerial war. On the other hand, civil aviation is the use of civil aircraft for the purpose of transporting passengers and items. Airline catering services is more challenging than the other catering services since operators have to secure the expected service level with material availability. Additionally, each kilogram associated with meals means extra jet fuel burnt. Therefore, the elimination of this 'extra weight' can make a difference between profit and loss for the operator. This research is carried out using Secondary Data.

## INTRODUCTION

An airline company incurs different types of costs to operate an aircraft. One such cost is the cost incurred on airline catering services. The business of providing food service at a remote site is known as airline catering. It involves providing meals for passengers and crew on an aircraft as well as for restaurants situated at airport terminals.

Under the pressure of soaring fuel prices and a significant increase in operating costs, airline companies design their airline catering services such that the cost is reduced. Airline catering services is more challenging than the other catering services since operators have to secure the expected service level with material availability. Additionally, each kilogram associated with meals means extra jet fuel burnt. Therefore, the elimination of this 'extra weight' can make a difference between profit and loss for the operator.



**Figure 1: Airline Catering Services**

Airline catering services vary widely from airline to airline and flight to flight. They range from a simple snack or beverage in a short-haul Economy Class flight to a seven-course gourmet meal in a long-haul First Class flight. Airline catering services are affected by a number of factors such as time of flight, length of flight, travel class (Economy, Executive or First Class), budget allowed by the airline company, price of food, seasonality of food, cost of labour to prepare the food, odours that may penetrate the cabin, the ability of the food to withstand low humidity and pressures, ethnicity, needs, desires of passengers, etc.

Some airline companies use their own airline catering services while some companies prefer to outsource them. Airline catering starts with an understanding of the number of passengers and their needs. Based on this information, airline companies in consultation with airline caterers develop their product and service specifications. Such specifications determine what kind of food, beverages, equipment and trolley items are to be carried on each route for each class of passenger. In response to these specifications, the airline catering production units follow a series of complex steps to produce the food and non-food items. Food is prepared in specialised airline kitchens located near to major airports. Transportation of food and non-food items are then carried out by using specialised high loader trucks two hours before the departure. Once the food, beverages, equipment and trolley items are loaded, they need to be bestowed on board to ensure microbial safety. At the designated time during the flight, the cabin crew then carry out the service of meals and other items. Upon arrival at its destination, each aircraft is then stripped of all the food and beverage waste, equipment and trolley items, which are returned to the airline catering production units for disposal, cleaning and reuse.

In the fiercely competitive aviation world, provision of exceptionally high-quality airline catering services has become the primary objective pursued by major airline companies. Today passengers request for airline meals not only to fill their stomach but to enjoy featured and high-quality cuisines as those offered by high-end restaurants on land. The main purpose of providing exceptional and high-quality airline catering services is to enable passengers to be satisfied and to further increase their willingness to choose a particular aircraft.

### **BACKGROUND OF THE STUDY**

Air India currently owns a total of 110 aircraft from both Airbus and Boeing. Out of the 110, 30 aircraft operate from Bangalore. Air India Limited, Bangalore provides airline catering services for all its 30 flights operating from Bangalore. The airline does not have its own Catering Department. The airline catering services are outsourced to an airline catering company named TajSATS Air Catering Limited.

TajSATS Air Catering Limited, a joint venture of Taj Hotels and Palaces and Singapore Airport Terminal Services (SATS) was established in the year 1976. The company is a market leader in airline catering and has over 43 years of experience in its business. TajSATS provides in-flight catering services to nearly 50 airlines across the world. In India, they provide in-flight catering services to the major cities like Mumbai, New Delhi, Chennai, Kolkata, Goa and Bangalore. TajSATS facilities are equipped with state-of-the-art technology and advanced kitchen equipment for efficient and hygienic food production and handling. They believe in maintaining the highest level of food safety, hygiene and quality. The talented team of chefs at TajSATS believe in designing and creating innovative and inspirational menus as well as repurposing classic ingredients for the modern palate. The menus designed, account for the passenger's profile, the time of flying and the duration of the flight.

### **COMPANY PROFILE**

Air India is India's oldest and largest airline impating domestic and international air shipping services for both passengers and cargo. The airline was formed by J. R. D. Tata as Tata Airlines in the year 1932. Air India is a country-owned national carrier of India. It is ranked the 8th best airline in Asia and the 3ed largest airline in India with a market share of thirteen.five per cent as of May 2019. The airline is based at New Delhi. The Indira Gandhi International Airport in New Delhi and Chhatrapati Shivaji International Airport in Mumbai are the principle hubs of Air India.

#### **History of Air India**

Air India pioneered the country's aviation industry and its history is synonymous with the history of civil aviation in India. JRD Tata, former chairman of Tata Sons, was born in the year 1904 in Paris, to a French mother and Indian father. Tata's overriding passion was aviation. His hero French piloting ace Louis Blériot, the first man to cross the English Channel by air. Louis Blériot had lived close to Tata's French country home. He allowed a co-pilot to give the 15-year-old Tata a ride. From that moment on, Tata changed to determined to fly. Tata moved to India, in the year 1929 he achieved his goal. He became the first person in the country to be issued with a pilot's license.

In 1932, J. R. D. Tata set up Tata Airlines, the first Indian commercial carrier to transport mail and passengers within India. The company was based out of a small hut with a palm-thatched roof at Juhu Airstrip in Bombay (Mumbai). Tata flew the first leg of the inaugural Karachi – Madras (Chennai) journey himself, taking mail from Karachi to Madras (Chennai) via Ahmedabad and Bombay (Mumbai) using a single-engine De Havilland Puss Moth. In its first year of operation, Tata Airlines flew 160,000 miles, carrying 155 passengers and more than 10 tonnes of mail. It made a profit of INR 60,000.

During the same year, Air India launched its first domestic flight from Bombay (Mumbai) to Trivandrum using a six-seater Miles Merlin.

At the end of World War II, in July 1946, Tata Airlines became a public limited company and was renamed as Air-India Limited. After Indian Independence, in 1948, the Government of India acquired 49 per cent of the airline. During the same year, Air India launched its first international flight from Bombay (Mumbai) to London Heathrow. In March 1953, when eight airline companies were operating within and beyond the frontiers of the country carrying both air passengers and cargo, the Government of India passed the Air Corporations Act. India's aviation industry was nationalized and the eight domestic airline companies operating independently at that time were merged into two government-owned entities – Indian Airlines and Air-India International. Indian Airlines focussed on domestic routes while Air-India International focused on international routes. In 1960, Air India became the first Asian airline to enter the Jet Age. In 1962, the word International was dropped from the company's name and renamed as Air-India. In 2005, the hyphen was dropped from the company's name and renamed as Air India. In July 2007, the Government of India approved the merger of Indian Airlines and Air India. Post-merger the new airline was renamed as Air India.

Since the first flight in 1932, Air India has now grown to become a mega international airline connecting to over 40 destinations in North America, Europe, Asia and Australia. The airline's domestic network covers over 55 destinations, including all state capitals and far-flung areas of India. The Airline's young and modern fleet of 110 aircraft comprises a mix of the latest state-of-the-art Airbus and Boeing aircraft. Air India is India's finest flying Ambassador. The airline exudes the spirit of India by extending warm hospitality to all its guests which is an inherent characteristic of the Indian culture.

### **The Air India Brand (Logo)**

The first logo of Air India was 'The Centaur', a stylised version of Sagittarius shooting an arrow in a circle representing the wheel of Konark. The logo was introduced by founder J. R. D. Tata in the year 1948. The logo represented the airline until 2007.

On 22<sup>nd</sup> May 2007, Air India refreshed and presented their new logo consisting of a red coloured flying swan with the wheel of Konark in orange placed inside it. The flying swan was morphed from Air India's characteristic logo 'The Centaur' whereas the wheel of Konark is reminiscent of Indian's logo. The new logo features prominently on the tail of the aircraft.



**Figure 2: Air India Logo**

### **Air India Destinations**

- **Domestic**

Agartala, Agra, Ahmedabad, Aizawl, Amritsar, Aurangabad, Bagdogra, Bangalore, Belgaum, Bhopal, Bhubaneswar, Chandigarh, Chennai, Coimbatore, New Delhi, Dibrugarh, Dimapur, Durgapur, Gaya, Goa, Guwahati, Hubli, Hyderabad, Imphal, Indore, Jaipur, Jammu, Jamnagar, Jodhpur, Kannur, Khajuraho, Kochi, Kolkata, Kozhikode, Leh, Lucknow, Madurai, Mangalore, Mumbai, Nagpur, Nanded, Patna, Port Blair, Pune, Raipur, Rajkot, Ranchi, Silchar, Srinagar, Surat, Thiruvananthapuram, Tirupati, Varanasi, Vijayawada and Visakhapatnam

- **International**

Abu Dhabi, Bangkok, Birmingham, Chicago, Colombo, Copenhagen, Dammam, Dhaka, Dubai, Frankfurt, Hong Kong, Jeddah, Kabul, Kathmandu, Kuwait, London, Madrid, Malé, Manama, Melbourne, Milan, Muscat, Najaf, New York City, Newark, Osaka, Paris, Riyadh, Rome, San Francisco, Seoul, Shanghai, Sharjah, Singapore, Stockholm, Sydney, Tel Aviv, Tokyo, Washington D. C and Yangon.

### **Aircraft**

An aircraft is a machine used for travelling through the atmosphere supported either by its own buoyancy or by some sort of engine that propels the machine through the air.

#### **Types of Aircraft**

##### ☐ ***Lighter-than-air Aircraft***

Lighter-than-air aircraft use buoyancy to float in the air in the same manner as ships float on the water. They are designed to contain within their structure a sufficient volume that, when filled with a gas lighter than air (heated air, hydrogen, or helium), displaces the surrounding ambient air and floats. Lighter-than-air aircraft include the balloons and airships.



**Fig. 3: Lighter-than-air Aircraft**

##### ☐ ***Heavier-than-air Aircraft***

Heavier-than-air aircraft require a power source to provide the thrust necessary to obtain lift. They use an internal combustion engine in the form of a piston engine or a turbine engine to provide the thrust that moves the aircraft forward through the air. The movement of air over the wings produces lift that causes the aircraft to fly. Heavier-than-air aircraft include the autogyros, helicopters, gyrocopters and fixed-wing aircraft (aeroplanes).



**Fig. 4 : Heavier-than-air Aircraft**



## INDIAN AVIATION INDUSTRY

Aviation in India can be broadly classified into military aviation and civil aviation. Military aviation is the use of military aircraft and other flying machines for the purpose of conducting or enabling aerial warfare. On the other hand, civil aviation is the use of civil aircraft for the purpose of transporting passengers and goods. They represent all non-military aircraft and include both private and commercial planes.

The history of civil aviation in India traces back to 18<sup>th</sup> February 1911, when the first commercial civil aviation flight took off from Allahabad to Naini covering over a distance of 6 miles. During the Allahabad exhibition Henri Pequet, a French aviator carried 6,500 pieces of mail on a Humber biplane from the exhibition to Naini. In December 1912, the first domestic air route between Karachi and New Delhi was opened by the Indian State Air Services in collaboration with Imperial Airways, UK. In 1924, the construction of civil airports in India began at Dum Dum in Calcutta (Kolkata), Bamrauli in Allahabad and Gilbert Hill in Bombay (Mumbai).

A few years later, in 1932 J. R. D. Tata, former chairman of Tata Sons, set up Tata Airlines, the first Indian commercial carrier to transport mail and passengers within India. The company was based out of a small hut with a palm-thatched roof at Juhu Airstrip in Bombay (Mumbai). Tata flew the first leg of the inaugural Karachi – Madras (Chennai) journey himself, taking mail from Karachi to Madras

(Chennai) via Ahmedabad and Bombay (Mumbai) using a single-engine De Havilland Puss Moth. In its first year of operation, Tata Airlines flew 160,000 miles, carrying 155 passengers and more than 10 tonnes of mail. It made a profit of INR 60,000. This airline later became Air India.

At the time of Indian Independence, in 1947, nine airline companies were operational. This number reduced to eight when Orient Airways shifted its base to Pakistan. These eight airline companies were operating within and beyond the frontiers of the country, carrying both air passengers and cargo. In March 1953, the Government of India passed the Air Corporations Act. India's aviation industry was nationalised and the eight domestic airlines companies operating independently at that time were merged into two government-owned entities – Indian Airlines and Air-India International. Indian Airlines focussed on domestic routes while Air-India International focused on international routes.

The International Airports Authority of India was established in 1972, The National Airports Authority was established in 1986 and The Bureau of Civil Aviation Security was established in 1987. In April 1990, the Government of India adopted an open-sky policy which allowed airline companies to operate without any restriction on the number of flights, number of destinations, number of seats, flight schedules, fares, etc. This policy made the civil aviation industry in India to undergo a rapid and dramatic transformation. In 1995, Airports Authority of India was established by merging The International Airports Authority of India and The National Airports Authority. From October 2000 and beyond, several important airline companies entered the Indian civil aviation industry in successions like Air Deccan, GoAir, Kingfisher Airlines, SpiceJet, and IndiGo. Today the civil aviation industry in India is dominated by Low-Cost and Full-Service carriers like IndiGo, SpiceJet, Air India, GoAir, AirAsia India and Vistara.

The civil aviation industry in India has emerged as one of the fastest growing industries in the country. The sector holds immense potential for growth because it receives great impetus from the booming tourism industry driven by higher disposable incomes and favourable demographics. With every passing year, the civil aviation industry in India has witnessed significant improvement in the movement of both the passenger and cargo segment. According to India Brand Equity Foundation Report, June 2019, India is currently considered the third largest domestic civil aviation market in the world and is expected to overtake the UK to become the third largest air passenger market by 2024. India's domestic passenger traffic stands at 243 million while international passenger traffic stands at 65.48 million.

## MAJOR PLAYERS IN INDIAN AVIATION INDUSTRY

### □ *IndiGo*

IndiGo is the first largest airline in India with a market share of 49 per cent as of May 2019. It was established in the year 2005 by Rahul Bhatia and Rakesh Gangwal and started operations in the year 2006. The Indira Gandhi International Airport in New Delhi is the main hub of IndiGo. The airline currently has a fleet size of 234 aircraft in service and serves a total of 70 destinations.

□ **SpiceJet**

SpiceJet is the second largest airline in India with a market share of 14.8 per cent as of May 2019. It was established in the year 2004 by Ajay Singh and Bhupendra S Kansagra as Royal Airlines and started operations in the year 2005. The Indira Gandhi International Airport in New Delhi is the main hub of SpiceJet. The airline currently has a fleet size of 87 aircraft in service and serves a total of 61 destinations.

□ **Air India**

Air India is the third largest airline in India with a market share of 13.5 per cent as of May 2019. It was established in the year 1932 as Tata Airlines by J. R. D. Tata and started operations in the year 1946. Air India is a state-owned national carrier of India. The Indira Gandhi International Airport in New Delhi and Chhatrapati Shivaji International Airport in Mumbai are the main hubs of Air India. The airline currently has a fleet size of 110 aircraft in service and serves a total of 95 destinations.

□ **GoAir**

GoAir is the fourth largest airline in India with a market share of 11.1 per cent as of May 2019. It was established in the year 2005 by Jeh Wadia and started operations in the same year. The Chhatrapati Shivaji International Airport in Mumbai is the main hub of GoAir. The airline currently has a fleet size of 49 aircraft in service and serves a total of 28 destinations.

□ **AirAsia India**

AirAsia India is the fifth largest airline in India with a market share of 6.3 per cent as of May 2019. It was established in the year 2013 and started operations in the year 2014. The Kempegowda International Airport in Bangalore is the main hub of AirAsia India. The airline currently has a fleet size of 21 aircraft in service and serves a total of 19 destinations.

□ **Vistara**

Vistara is the sixth largest airline in India with a market share of 4.7 per cent as of May 2019. It was established in 2013 and started operations in the year 2015. The airline is a joint venture between Tata Sons and Singapore Airlines. The Indira Gandhi International Airport in New Delhi is the main hub of Vistara. The airline currently has a fleet size of 28 aircraft in service and serves a total of 24 destinations.

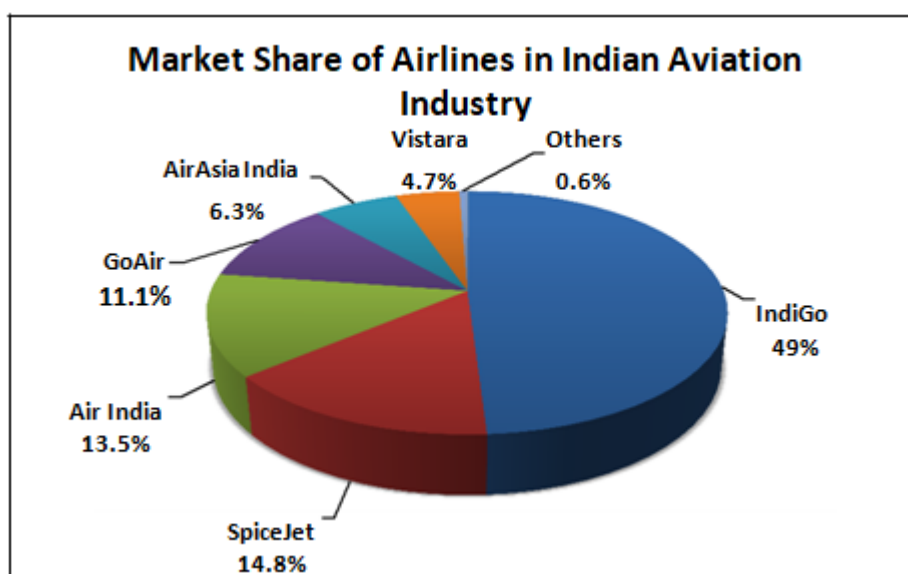


Fig. 5 : Market Share of Airlines in Indian Aviation Industry

## **CONCLUSION**

The data has undergone a statistical analysis and may be sorted and tabulated. Common sources of Secondary Data include financial statements, sales report, customer details, company information, government censuses, tax records, newspapers, magazines, journals, books, libraries, internet, etc. The airline can cut short the expenses of catering services if they follow the findings and conclusion of the study.

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