

The Tata Group in Aviation Market: Two Distinct Joint Venture Strategies

Joint Venture is one of the dominant strategies to enter into International markets

The Tata Group has gone for two Joint Ventures in airline business to serve two distinct types of travelers. The first, the Tata Group formed a three-way joint venture with AirAsia and Telestra Tradeplace to launch a low-cost carrier, AirAsia India. In this venture, Tatas will own a 30 percent stake and AirAsia a 49 percent, while the remaining stake will be with Telestraplace.

Joint venture (JV) is a business agreement in which the parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. In a joint venture (JV), each of the participants is responsible for profits, losses and costs associated with it. However, the venture is its own entity, separate and apart from the participants' other business interests.

The second, the Tatas have joined hands with Singapore Airlines (SIA) to launch a full-service airline where Tata Sons will own a 51 percent and Singapore Airlines the remaining 49 percent in their airline venture –Tata –SIA Airlines. The two would jointly invest \$100 million initially to set up the airline with the Tatas investing \$51 million.

The two distinct ventures are targeted at two different customer groups. Tata's joint venture with AirAsia is to start budget service and with Singapore Airlines to start a full-service cannot be seen as cannibalizing each other. Prof. Raghunath, IIM,Bangalore, says, "the customer group who travel low-cost and others who travel in a full-service airlines are served in different categories with varied ticketing and comfort. I don't think they mix at all".



At present, the international traffic is dominated by foreign airlines. So with the two new joint ventures of Tata Group will make Indian footprint stronger in the international arena. The signing of joint ventures will improve the domestic service and develop the potential to become Tata Group in airlines as one of the top three airlines in the coming two years.

For not to have cannibalization, the two airline groups AirAsia and Singapore Airlines with TATAs will have to evolve with clear goals for building synergies resulting in revenue generation through network expansion and joint marketing, cost reduction through joint maintenance, joint call-centres, and fleet harmonization leading to an environment of a single operating company with high levels of integration.

They have to develop a strategy for mutual appreciation of cultural and organizational differences and provide joint customer service with high standards to yield long-term results in the international airline competition.

The Chief Executive of Singapore Airlines, Goh Choon Phong, said, “The new venture would allow Singapore Airlines to participate in the growing Indian aviation market and diversify its traffic base, which was now solely dependent on Singapore. India is obviously one of the two huge engines of growth in Asia”.

Topic	Course
Joint Venture: Global marketing strategies: Unit 23.6	Marketing Management

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Running a JV airline in India a challenge: Singapore Airlines CEO, Business Standard, Nov 15, 2013