



## AVIATION

# Staying aloft

Financial year 2007-08 was particularly hard on the aviation industry. The flying maharajas of airlines tried every trick in the book, be it low-cost/no-frills service as opposed to razzmatazz calendar-style eye candy, fusion food or tremendous visibility as airline chiefs – buying out, joining hands and Branson-style bravado. But reality kicked in sooner rather than later.

Apart from soaring fuel costs, significant ineffi-



Thiagarajan: cool kid on the aviation block

ciencies in operations and the global recession adversely affected India's well-known names in the aviation industry. Kingfisher, Jet, Air India – all took a hit. Probably only the common man with his uncommon canniness, Capt Gopinath, knew that he could not stay up there too long with his market-opening business model, Simply Fly. He sold out before a twister sucked up Deccan. Cashing in was the best thing to do under these circumstances.

## Paramount's unique business model has helped it fly high when the aviation industry's seeing red

But one airline remained steady at comfortable cruising altitude, even managing to expand its market share to 26 per cent. Madurai-headquartered Paramount Airways made its tagline, 'A world of difference', really come true, staying well and truly float.

We asked Paramount's founder MD M. Thiagarajan how he survived the meltdown that prevailed in the aviation industry. The youngest airline CEO in the world, 31-year-old Thiagarajan, says, "In this business, the top line is vanity, the bottom line is sanity, and cash flow... the reality." Cocky? Not if you understand how this young entrepreneur of the skies designed and ran his business model. "Paramount

grew more in 2007-08, when others were tottering," he says. "We expanded, developed new business, added more aircraft and offered a clear value proposition. We gave the savvy corporate traveller an aspirational flying experience, the kind of luxury only business class offers in other airlines. The same is delivered in a cost-effective manner, not through a price-cutting gimmick."

Thiagarajan chose the Brazilian Embraer aircraft with a seating capacity of 70, the right type, better to fill to capacity. "When your product is positioned differently, you operate on all the optimum levels. Our SCM (supply chain management) is excellent. Many fliers have asked us how we manage to serve salad, how the food is so good, though often, the catering source may be the same," he says.

According to him, gimmicks and reduced fares won't work for long because running an airline is not cheap. Even though aviation fuel costs are down, worldwide recession is still impacting corporate costs. All avoidable travel is cut. Therefore, Paramount's value offering has attracted a shift from Jet and Kingfisher's business class. The fare is not so high, neither is it cheap. "The frequent flier understands this much better. And we have now gone a step further. We don't just offer the frequent flier redeeming miles, but access to lifestyle products beyond flying, like entry to golf clubs and other premium lifestyle offerings that are far more coveted than just redeeming miles," says Thiagarajan. Recently, Paramount launched its cargo line for high-end cargo – a diversification that is expected to bring in more revenue.

Says C. Venkat Subramanyam, founder director of Chennai-based Veda Corporate Advisors, who has put together a number of private equity deals, "Paramount has a good product offering, smart choice of aircraft, good service and food. It has also chosen routes that offer best connectivity in South India." Moreover, Paramount's strong business model never compromised on fares, but focussed on giving the high-end flier best service. The airline also chose to expand carefully. It "avoided extravagant fleet expansion, unlike most competitors who chose to pursue market leadership in South India," Subramanyam adds.

Thiagarajan and Paramount have together proved that cheap airlines are not necessarily strong, or for the long haul. When the market was in a feeding frenzy on the droves who signed up to fly 'cheap', Thiagarajan stood firm with a USP. Now, Paramount is also flying to destinations in West India, such as Pune, Ahmedabad and Goa. Flights between Bangalore and Trichy have also increased.

♦ PADMA RAMNATH