



The “Best” of the Premium Air Travel Conference

Robert Angel’s selection of notable points from the
MarcusEvans Madrid Conference

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Please read in conjunction with speakers’ slides; these highlights have been selected to bring out selected marketing strategy points – not intended to be comprehensive summaries of presentations



Prerequisites (for Being in Business) Vs. Competitive Advantages

- Entertainment has only hygiene value [i.e. is a prerequisite for being in the business]; Jet distinguishes itself on features like privacy, own space with suite, individual wardrobes, decor) – *Gaurang Shetty, Jet Airways*
- The two essentials [to being in business] are: don't lose baggage and feed them! – *Sami Alan, Turkish Airlines*



Customer Value – Branding & Differentiation

- Qatar differentiates on KPIs inside the cabin, has Asian crew and new generation training; the terminal is a critical part of the product – *Ali Al Rais – Qatar Airways*
- Premium customer value – [people] will pay a high price for something good – *Gaurang Shetty, Jet Airways*
- Iberia differentiates on connections, points, flight frequency – *Juan Magaz, Iberia*
- We are at the business cycle peak, which has LCC implications; the LCC lesson is a direct flight creates its own traffic (people don't like to fly anymore); “Luxury” is in greater demand in developing markets (key market selection criteria are # of seats sold to market/\$bn GDP and business productivity) – *Sami Alan, Turkish Airlines*

Customer Segmentation

- You can't deal with everyone so look to segmentation – BA finds several different segments in premium – *Jamie Cassidy, BA*
- Pricing can be a competitive weapon, a sophisticated pricing model can adapt to daily changing conditions location by location – *Juan Magaz, Iberia*
- Culture is critical across customer segments, e.g. employee communication and incentive programs – *Jim Summerford, CO*
- Satisfaction drivers tend to be similar across segments but expectations are different, leading the BA brand to reinvent “classical flying” – *Jamie Cassidy, BA*



Understanding Customer Needs

- If you decrease customer defections 5% you can increase profits 25-95% – *Anne-Michele Worral, AMW*
- Get the disappointed coach class passengers from legacy airlines (#1 is a good plane i.e. best per seat cost) – *Frantz Yvelin, L'Avion*
- We are now branding as a boutique airline focusing on business passengers – *Ina Brandi, Swiss International*
- NetJets researches its customer base with owners 2x per year, finds executive time increasingly more valuable in a shrinking world – *Robert Dranitzke, NetJets*



Connecting with Customer Needs

- Being a People business is our differentiator, for us means ease of doing business and a consistent product experience – *Dave van Dongen, KLM*
- Swiss Hospitality is quality in every detail, personal care, i.e. make guests feel like they are at home – *Ina Brandi, Swiss International*
- Internet communities are springing up – e.g. travellers seeking seats on private planes – *Anne-Michele Worrall, AMW*
- The future is commercial partnerships to translate private carrier expertise to high end scheduled services; Open Skies next year will be a big change, with small planes for business class & premium economy (when we can get the slots) – *Greg Thomas, Privat Air*



Competitive Positioning

- We stand for ease of doing business and a consistent product experience – *Dave van Dongen, KLM*
- Most customers continue to use commercial flights and only use NetJets when they need to – *Robert Dranitzke, NetJets*
- Time to market is one of our advantages – e.g. find BBJs, finance them; the future of aviation is not to take 1 hour to get from curb to gate – *Greg Thomas, Privat Air*
- Ryanair in providing competition lowers the price for the customer across the entire industry – *Maribel Rodriguez, Ryanair*
- L'Avion has a strong outsourcing policy – make costs variable whenever feasible; you have to know not only what fares the competition is setting but also how they are reacting to your fares – *Frantz Yvelin, L'Avion*



Panel Discussion – Investment Return

- The customer has to pay for it; whether the customer is ready to support it depends on the size of market (every market is different) so focus on what customers really want – *Frantz Yvelin, L'Avion*
- LCC is not the biggest threat to legacy carriers but well funded high end entrants – people will pay for good products – *Jamie Cassidy, BA*
- The market pyramid has those who can afford products at the top, [mass consumers] at the bottom; business travel and cash available are cyclical and at the peak now; the schedule is most important to business travel meaning hardware investment is stimulated by competition on specific routes – *Greg Thomas, Privat Air*
- Consider the extensive time to market when acquiring hardware – *Frantz Yvelin, L'Avion*
- Passengers do not always have to pay, a service improvement can pay for itself or be helped by 3rd party sharing – *Denise Graul, Bader Media*



Panel Discussion – Competitive Differentiation

- Differentiation is the brand development business case – *Angus Struthers, Virgin Atlantic*
- Satisfaction is higher for private carriers than legacy for the same service, e.g. lounges score higher, because of attitudes and dedicated crew who work together consistently and know repeat passengers – *Greg Thomas, Privat Air*
- Legacy has larger teams to manage and small carriers have more personal customer relationships – the driver is competition and the need to keep up or bring product up to scratch, a key opportunity to refresh the brand – *Jamie Cassidy, BA*
- We will reach top at some point but we can extend the cycle with a human touch; however, despite a customer preference for flat beds or 180 degree flat seats we still offer 48 degree pitch since customers do not see value equal to added cost – *Frantz Yvelin, L'Avion*



Panel Discussion – Pricing Strategies

- We can price services bundled or separately on long haul – *Peter Soderlund, SAS*
- Long haul business class revenue is not transparent – legacy has entrenched corporate links and can discount over a large network – so start-ups can focus on the small business 30% – a corporate tie up in economy is all about price not loyalty and so is an opening for LCCs – there is clarity about revenue from each cabin but less so about contribution – e.g. flat beds require giving up a row which costs everyone else especially on the peak Mon and Friday trips – economics is truly driven by business class – *Frantz Yvelin, L'Avion*



Panel Discussion – After the Easy Cost Cuts Have Been Made

- We are in the hospitality business – customers know the product and notice when we dilute it – we have to take cost out of the process since LCC strategy is to keep yield up – there are a lot of fixed costs just to compete and the most controllable cost is staff, but cutting staff is a contradiction if we intend to stay in hospitality business – *Jamie Cassidy, BA*
- Try to make costs viable, involves managing show financial risks, e.g. do maintenance only according to when engines are running – Short haul has good cost models based on LCC, but long haul is more difficult, e.g. it is hard to address staff productivity when pilots are paid at industry standard rates – maybe we should do more subcontracting, pay more attention to plane rotation (but regulation comes into play) – *Frantz Yvelin, L'Avion*



Thank You



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