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## the global advocate



A Conversation With...

Giovanni Bisignani  
director general and CEO  
International Air Transport Association

page 38

### INSIDE

6

g overnment regulations  
affect globalization

42

I atin American carriers  
grow regionally

50

AirAsia overcomes challenges  
to its t hai-based subsidiary

# Going Global

*Many airlines are looking to expand into global markets as the industry becomes more liberalized. However, such expansion can create new challenges for an airline that must market itself and attract new customers.*

■ By Gordon Locke | *Ascend* Contributor

Airlines around the world are seeing the culmination of many years of effort to liberalize international air transport. As global flying becomes easier to consider and markets open through the lifting of restrictions, new challenges arise as competition becomes more fierce than ever.

In the new global world, airlines may discover the hard way that age-old practices of market analysis, fleet optimization, financing or budgeting for new routes may now be the easier part of the equation. Deciding to fly to a new international destination, though the metrics and numbers may be attractive, brings to bear an airline's ability to practice the art and science of consumer marketing outside of its comfort zone. Additionally, it forces airlines already serving global markets to react to a new competitor — forcing strategic shifts in channel focus, pricing, brand message and product.

The liberalization efforts underway in the European Union will aim to extend the current 25 E.U. members to 35, creating a market close to 500 million people. Barriers to international travel will come down, and airlines of many sizes and business models will go head to head for market penetration. Airlines will be forced to move beyond their traditional challenges regarding permits, slots, aircraft and passenger market size and adapt to a new environment that requires the ability to connect better with customers, more quickly and in a sustainable way. Assuming the customer metrics are correct, the key component of a successful global expansion comes down to brand and ensuring it translates to a new culture or country. This will be an especially compelling issue for airlines that will benefit from E.U.'s more open aviation policy with countries in Asia/Pacific.

Global expansion presents particular challenges for airlines that rely on multi-channel product exposure such as direct/indirect online and direct/indirect offline distribution. Deciding to fly to a market where a competitor

has advanced online booking and where culture of consumerism thrives should give pause to an airline unfamiliar with such practices. Conversely, domestic airlines that use primarily Web-based distribution will face new challenges if they give in to the temptation of global traffic, either through a partnership or their own flying. Adding international traffic requires not only mastering and revisiting indirect distribution methods but also doing so with a new brand in a new market. It may even constitute an unrecognized business model change, catching airlines that underestimate market penetration and competitive reaction unprepared to make the necessary adjustments.

The cost of sales mix can also be elusive in some markets. For example, direct online distribution start-up costs in a new market

means a heavy pre-launch targeted consumer awareness campaign to drive Web site traffic. In addition, fulfillment costs, payment solutions and credit card fees can quickly outpace other forms of distribution if not orchestrated carefully. Airlines wishing to expand may feel relief from the lifting of restrictions, easing the often painful costs of time and resources required just to realize a new expansion opportunity and receive permission to serve a new market. However, the motives that may have sparked interest in expansion — to better utilize fleet or increase available seat miles — could yield the unexpected result of skyrocketing costs of sales from calibrating across a mix of marketing practices, channels and customer segments.

Each region of the world has its unique challenges with liberalization. Globalization in the airline industry means the decision to join an alliance or form independent strategic partnerships is not easy. Both approaches can work equally well. In Africa, for example, one of the fastest-growing aviation markets, the opportunity is a mixed blessing. The added pressure to perform in a growing multinational space with expert consumer marketing practices, while weighing infrastructure and safety improvements, is daunting. Add to that, balancing which types of partnerships to form and destination marketing practices can require a new level of sophistication in sales and service practices. It can even be said that globalization, at least short term, could be harmful to African carriers as new external brands make themselves more easily present in African markets.

It is not hard for a successful domestic or regional airline, with a strong brand and loyal customer base, to see the lure and caché of a new accessible international city. However, if the foundation of success has merely been long-term presence at home with few competitors, launching a new route, whether through codeshare or using its own aircraft, brings on



**Expanding into new global markets requires airlines to master distribution methods as well as market their brand to a new audience in a new area.**

Photo by Franky De Meyer/Stockphoto.com



a new set of complexities such as commercial implications, new business practices, localized customer service and operations, legal, and banking issues. And, after all of those issues have been addressed, the brand still may or may not work regardless of what sometimes appears to be overwhelming reasons to fly.

The breadth of marketing competencies an airline needs to embrace, with globalization and the threat of competitive entrants at any time, is quite broad. In examining the anatomy of the process of reaching a new customer, convincing him or her to buy and fly — and do it again repeatedly — while competing against a global or network carrier is not for the faint of heart.

However, the ability to be clever, deliver value, differentiate and connect with a new local customer base — or tap into existing customers to fly a new route — can be a satisfying win. So, while operationally an airline has more options and fewer restrictions, owns clear slots, has solved fueling needs, and planned turnarounds and ground operations, the marketing department and the distribution model has now become a bigger factor than just a good schedule and a great price. Customers in a new market react to brands and implied value with a vastly different set of cultural nuances. Thus, understanding how to distribute through all channels and having the right brand will determine who is successful in the new world of liberalized air travel. **F**

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## +count it up

### 189

Number of International Air Transport Association members currently in the IATA Operational Safety Audit process, which is designed to further increase safety in the air transport industry.

### 2005

Year the International Air Transport Association's work with governments to establish more direct routes optimized 300 air routes, eliminated 6.1 million tons of carbon dioxide emissions and saved US\$1.2 billion.

### 4.3 million

Number in tons of carbon dioxide emissions that were saved last year as a result of the International Air Transport Association's "Go Teams" work with member airlines' operations departments to spread industry best practices. The effort saved US\$850 million.