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Strictly Business

Two of Europe's prominent airlines have tapped into a new revenue stream by offering business-class-only services on their long-haul flights between Europe and the United States.



■ By Marco Contento | *Ascend* Contributor

Airlines have long focused on luring high-yielding business travelers, but two European-based carriers have taken the notion one step further.

Lufthansa German Airlines and Swiss International Air Lines, looking to tap into the lucrative business travel between Europe and the United States, provide business-class-only flights.

For the two airlines, flying traditional long-haul aircraft on certain routes between Europe and the United States did not achieve strong enough financial results to justify continuing the service. Business demand was strong, but not strong enough to fill the planes. Because the need for specific service between the two countries still existed, the carriers independently found a creative solution.

Lufthansa, which recently celebrated 50 years of service, operates the business-class-only flights 18 times a week between two German and two U.S. markets, and Swiss operates a similar service six times a week to the United States. Both airlines offer the services in partnership with PrivatAir, a Swiss-based company specializing in ad hoc charters for the executive segment using all-business-class aircraft.

For Lufthansa, the rationale behind the introduction of the executive jet service was simple. Constantly monitoring its routes, in October 2001, the airline realized its Dusseldorf-Newark route, although highly



Photo courtesy of PrivatAir

popular with business travelers, was not sufficiently profitable. Lufthansa decided to discontinue the route, leaving a big business community without a connection between one of Germany's economic powerhouses, the "Ruhr-Gebiet," and the United States. Seeing that there was a specific niche market, Lufthansa sought to fill the gap in a way that would profitably satisfy the business demand.

In June 2002, Lufthansa, through the use of PrivatAir's executive jets, resumed service between Dusseldorf and Newark.

"The cooperation with PrivatAir allows us to accommodate customer demand for a nonstop connection from North Rhine-Westphalia to New York," said Thierry Antinori, executive vice president of marketing and sales for Lufthansa. "We are delighted to be able to serve the route economically in cooperation with a partner airline."

Through a wet lease agreement, PrivatAir provides the aircraft, either special Boeing 737s or Airbus A320s, and crew, and Lufthansa controls the onboard product. Both aircraft types are licensed to fly trans-Atlantic

Photo courtesy of PrivatAir

For carriers such as Lufthansa German Airlines and Swiss International Air Lines, operating traditional long-haul equipment on specific routes between Europe and the United States did not produce strong enough financial results to continue the service. By partnering with PrivatAir, both airlines have successfully continued serving the routes using business-class-only jets with top in-flight service.

and are specially equipped with auxiliary fuel tanks. They have a maximum of 48 business-class seats; the schedules of the special flights are integrated into Lufthansa's regular network as well as optimized to connect to Star Alliance partner United Airlines' hub operation at Chicago O'Hare International Airport.

Unlike a conventional executive jet that would have to be chartered, Lufthansa sells seats at regular business-class rates. Business-class passengers do not have to pay a premium when using the executive jet for the trans-Atlantic portion of the trip.

The most interesting aspect of these flights, however, is not so much the way they are being operated but the impact they have had on Lufthansa and its customers' behavior. Lufthansa officials said customers have responded very positively to the new product. Over and above the sheer convenience of having nonstop service across the Atlantic, a remarkable number of passengers seem to appreciate the swift check-in procedures as well as the private and exclusive ambiance aboard the small jets.

"Fast check-in and check-out procedures, plus having a maximum of 48 passengers for a crew of four, also add to the exclusive experience," said Katrin Haase, manager of media relations for Lufthansa.

Lufthansa said acceptance of the product exceeded expectations, and passenger feedback indicates that customers intentionally select executive jet flights.

"We have passengers who tell us that



Photo courtesy of Lufthansa

"We have passengers who tell us that they drove up to Dusseldorf just to be able to fly on our executive jet. And with the schedules being efficiently synchronized, also transiting passengers from different markets appreciate the product."

— Katrin Haase, manager of media relations for Lufthansa

Lufthansa's customers value its trans-Atlantic business-class-only jet service for the convenience of nonstop flights on long routes as well as the rapid check-in procedures and atmosphere of the private, exclusive smaller jets.

convenience in business travel.

Following the initial success on the Dusseldorf-Newark route, Lufthansa began service between Dusseldorf and Chicago, Illinois, as well as Munich, Germany, and Newark using PrivatAir executive jets. And further expansion between Germany and other markets are not ruled out.

While it's an ideal solution to obtaining additional business customers, as with any business venture, there are bound to be challenges.

For Lufthansa, the biggest challenge is maintaining the same high level of standards that it maintains on its own flights to ensure customer expectations are met.

"Lufthansa has a very strict quality control system to monitor customer feedback," said Haase. "In addition, LSG Sky Chefs, a fully owned subsidiary of Lufthansa Group and the world's largest caterer, delivers the very same products as on the mainline flights."

Swiss International Air Lines also takes advantage of its partnership with PrivatAir to provide business-class-only service between

On its nonstop, business-class-only route between Zurich and Newark, Swiss International Air Lines replaced a three-class-configuration Airbus A330 with a Boeing 737 business jet, bringing the number of seats from 196 across three cabins to 56 business-class seats.



Photo courtesy of Swiss International Air Lines

they drove up to Dusseldorf just to be able to fly on our executive jet," said Haase. "And with the schedules being efficiently synchronized, also transiting passengers from different markets appreciate the product."

The feedback gives a clear indication that Lufthansa has successfully targeted and, most importantly, won clientele looking for



Europe and the United States. The flights are operated under a similar wet lease agreement, and Swiss, likewise, takes on all operational responsibilities.

However, unlike Lufthansa, where the executive jet services were added, Swiss replaced an existing three-class-configuration Airbus A330 rotation with a Boeing 737 business jet — a decrease in available seats from 196 across three classes down to just 56 business-class seats. This reflects the former combined business- and first-class capacity on the route between Zurich, Switzerland, and Newark.

The airline's focus when introducing the Newark flights was to offer an attractive and competitive business-class product.

"This flight is ideal for Basel's chemical industry as well as Zurich's banking sector, which have their U.S. offices in New Jersey or

Manhattan [New York], both easily accessible from Newark," said Dominik Werner, media relations officer for Swiss. "And while Swiss International targets business communities not only in the Zurich and Basel area, but also the southern parts of Germany as well as Northern Italy, passengers flying in economy on Swiss International still have the choice between daily Zurich and Geneva [Switzerland] flights into New York's John F. Kennedy International Airport."

Swiss also emphasizes the focus on maintaining a high and consistent level of service for its business-class-only flights.

"The PrivatAir crew is only deployed onto the Zurich-Newark rotations to ensure they are familiar with our product as well as the expectations we have," Werner said. "Initial customer feedback is very positive, and load factors exceed our expectations."

While Swiss and Lufthansa have experienced success with their business-class-only jet service, these services aren't likely to expand into slot-constraint airports where airlines are already struggling with capacity.

But with customers demanding more flexible schedules, the market for executive jet services operated by traditional carriers is certainly there, and there may well be an increase of this type of service in coming years. **E**

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— Dominik Werner, media relations officer for Swiss

Under the terms of a wet lease agreement with PrivatAir, Swiss International Air Lines is responsible for all operational aspects of its business-class-only flights between Europe and the United States.



Photo courtesy of Swiss International Air Lines

+count it up

1.6 billion+ — Number of passengers worldwide who use airlines for business and leisure travel. By 2010, this number is expected to exceed 2.3 billion.

17,300+ — Number of new passenger and freighter aircraft — worth US\$1.9 trillion — that, according to Airbus, will be needed by 2023 to support industry growth.

160 — Number of new discount carriers around the world that plan to begin service within the next 18 months.