

# Tudo Azul

## Brazil's Low-Cost Airline, Azul, Achieves Record Success

By Paul Barry | *Ascend Contributor*



In little more than three short years after it began operations, Brazil-based Azul has grown at a phenomenal pace. Its success stems from strong leadership, a powerful long-term strategy, a collaborative team and an eye toward exceptional customer service.

**B**roadly translated, the Portuguese phrase “Tudo Azul,” as used in the Brazilian Portuguese vernacular, means: “Everything is going great.” It appears to be an accurate phrase to describe Azul, the newest Brazilian low-cost carrier.

Founded by former missionary and well-known Brazilian advocate and native, David Neeleman, Azul began operations with 700 crewmembers in December 2008. (Azul considers all staff to be crewmembers independent of their specific functions within the airline. This promotes a sense of team with a strong focus on exemplary customer service.)

The carrier has since grown to represent 10 percent of the Brazilian domestic market — which boarded record-breaking 79 million passengers in 2011, up 15 percent from 2010 — a commendable feat in just three years of operation.

Azul’s continuing success can be credited to the visionary ideas Neeleman had just a few years before Azul began operations. Neeleman had an idea to improve air travel in the complex, bureaucratic market of Brazil. He implemented an innovative strategy focused on stimulating market demand and striving for exceptional customer service.

Neeleman is known throughout the global airline industry as the highly successful founder of both Morris Air and JetBlue. As a teenager, he traveled

extensively within the vast South American country as a missionary for his church. He developed a deep fondness and admiration for Brazil and its people during this time and felt compelled to give back.

Neeleman began to recognize opportunities for improvement in air travel. More specifically, in his opinion, the travel prices were high and the quality of service was poor.

Brazil is a large country — geographically as well as in overall population — that for decades has had a deep disparity between and among its varied social classes.

For those considered “C” and “D” Brazilian social classes, the most common form of transportation is bus travel. Because of Brazil’s extraordinarily expansive geography, most travel is long distance and takes several days.

However, during the past decade, Brazil has experienced solid and stable economic growth. The middle class has grown and somewhat solidified, with more and more people moving upward within the social classes. This has generated higher levels of disposable income, enabling Brazilians to now consider airplanes as a mode of transportation.

For decades, air travel was primarily reserved and available only to the “A” and “B” classes. The recent expansion of Brazil’s middle class has significantly changed this reality.

All of these factors indicated that Brazil had more than enough room for another airline. However, to succeed, it would have to include multiple innovative business instincts and be able to provide differentiated service for various categories of passengers.

Considering Neeleman’s track record of founding successful airlines, investors were not difficult to find. Azul comprises a group of U.S.-based and Brazilian-based investors, including himself.

With solid financial backing, the next step was to enroll a talented group of executives with whom Neeleman was familiar and trusted. He needed talented executives to assist in the initiation of operations and day-to-day running of the airline. One of the earliest decisions was to appoint a Brazilian executive to be Azul’s president.

An exhaustive search paid off with the appointment of Pedro Janot, who did not come from the airline industry, a résumé factor that was questioned by some. Nonetheless, Azul’s board of directors knew exactly what they were looking for and believed Janot was the man.

Prior to joining Azul, Janot had accumulated vast experience helping establish startup companies. He had worked extensively in the customer-service-focused retail industry. During his professional career, Janot had become somewhat of an evangelist or guru of customer service.



**Azul Founder David Neeleman** Recognized around the world as the extremely successful founder of Morris Air and JetBlue, David Neeleman had a vision to improve air travel in Brazil. Three years ago, he launched low-cost Azul, which provides service to many Brazilians who previously relied on ground transportation.

Some describe him as “laser-focused” on the pursuit of perfection in customer service.

Janot is credited with having instilled a culture at Azul of seriously listening to what the customer eagerly wants to tell the airline about areas for improvement and finding truly impactful and appropriate solutions. As such, Janot has become a living human symbol for what Azul stands for as an airline.

After firmly establishing a seasoned and insightful leadership team, Azul’s next steps involved creating vision and mission statements to set down the foundational principles of a growing and successful airline.

Azul’s vision, in short, is to make air travel more humane, easy and economical. The mission statement emphasizes these basic concepts: “Focusing on customers, we will build together the best airline, generating crewmember growth, return to investors and benefits to the communities served.”

Azul also created a set of values that are representative of the company culture: safety, consideration, integrity, passion, innovation and example.

Next among the airline’s essentials would be strategy: Exactly where was Azul going to fly to and from?

The business plan initially looked at Brazil’s two largest regional airports, Congonhas in the heart of São Paulo and Santos Dumont in Rio de Janeiro, as the default choices to set up operations.

Unfortunately, however, these two airports have become incredibly slot-constrained and almost impossible to gain access to in setting up a hub. Plus, the state government prohibited adding flights to Santos Dumont, the regional airport in Rio de Janeiro, in favor of building out the city’s international airport, Galeao.

In continuing its search for likely airports, Azul settled on Aeroporto Internacional de Campinas, more broadly referred to as Viracopos. The airport is located 14 kilometers from the center of Campinas and just a relatively short 99 kilometers from the center of São Paulo.

Viracopos already had an advanced and expanding level of infrastructure because it was an international airport serving São Paulo. It had this distinction before Cumbica, São Paulo’s current international airport, began serving the community.

In 2008, Viracopos served relatively small measures of passenger traffic. However, it had a large cargo presence among cargo companies and airlines that landed in Campinas versus the also-busy Guarulhos International Airport in São Paulo.

The catchment area of Viracopos is one of the most dynamic in the country. It produces a level of wealth and demand that compares to an elite airport in a country such as Chile. IATA statistics have confirmed that Viracopos has achieved the largest growth year over year.

To attract customers from São Paulo — state capital and home to 20 million residents — Azul instituted a free bus service, Onibus Azul. The service runs from various points in São Paulo as well



**15 Million Passengers** Azul has carried 15 million passengers during its first three years in service. The carrier represents 10 percent of the Brazilian domestic market.

as international and regional airports. It contributes to thousands of passengers a year who willingly commute to Viracopos.

Azul’s strategic plan implements market simulation as the primary path to growth. The carrier focuses more on creating a value proposition for air transportation than reacting to competitors within Brazil.

In short, Azul prides itself on marching to its own beat.

That attitude is also prominently illustrated in its selection of airplanes. In a market dominated by Airbus and Boeing narrow-body aircraft, Azul decided to go another route.

The fundamental Azul business plan, in fact, required a completely different type of aircraft. The question was: Why not choose an aircraft manufactured in Brazil to fly within Brazil?

This was not a difficult question to answer. Azul quickly realized that the corporate and business culture at Embraer is also one that coincides with what the airline aims to establish.

Just a few months prior, JetBlue became the launch customer for the Embraer 190 aircraft. It had gone through most of the growing pains of being the initial operator of that aircraft and could attest to the reliability of the aircraft.

However, culture alone would not be enough to make and confirm such a huge and influential business decision. There were other factors.

“The choice of the Embraer 190 and 195 was consistent with the adopted strategy — using the concept of hub bypass as well as having a lower per-trip cost,” said Azul Chief Operating Officer Cmte. Miguel Dau.

That, at least, was a viable explanation of the decision from an operational perspective.

From a marketing and customer-satisfaction viewpoint, Paulo Nascimento, Azul vice president of commercial, marketing and IT, said,

“Azul decided to fly Embraer E-Jets with fewer seats than the major competitors — offering point-to-point flights with many frequencies between cities.

“The Embraer 190 and 195 are among the most modern, secure and comfortable equipment in this class, and they provide a perfect option to serve the Brazilian market.”

Key elements — investment, leadership team, strategy and aircraft type — were now in place. What would follow would prove both logical and prescient: a name that would truly evoke anything and everything positive about Brazil. In its search for the ideal name, the carrier launched a Web campaign, allowing anyone among the Brazilian public to make suggestions.

Out of this campaign, called “Voce Escolhe” or “You choose,” came approximately 158,000 suggestions from about 110,000 participants.

Two favorites became the finalists: “Azul” and “Samba.” However, the airline quickly eliminated Samba due to several local nuances of its meaning. Even more important, however, the positive benefits and meanings of the term “Azul” in Brazil are manifold.

“It was a huge marketing and PR coup that set us apart from the outset,” said Nascimento. “Also, by using the Brazilian map in the logo and the name ‘Azul’ as our corporate identity — as well as Brazilian-built aircraft — we were able to reach the soul of the traveling public.

“Overnight, Brazilians had a new airline to call their own.”

Yet even at this point, with everything heading in the right direction, there were significant challenges that would impact Azul prior to its first takeoff. Some of these challenges also affect carriers that have been in operation for many years. Therefore, the challenges were amplified by the new airline’s desire to do things differently.

Prominent among Azul’s initial challenges were those involving the:

- Expediting of the grant for the Brazilian Civil Aviation Authority’s operational certificate,
- Hiring of qualified management,
- Introduction of a new aircraft type in Brazil,
- Will to fight the proverbial lack of infrastructure that is a growing issue for all carriers in Brazil.

Other challenges were primarily internal to Azul. With a large American contingent among the management team at Azul, cultural diversity is more visible than at many other carriers. In the beginning, the two cultures seemingly could not have been further apart.

Azul executives identified this challenge from the onset. The leadership team worked diligently to address the issue head on so as not to derail the harmony and common goal of operating a growing and successful airline.

Although cultural differences still exist at Azul, the level of understanding and comprehension of each other’s culture continues to grow with successful operations.

Azul has fostered a practice of open communications within the company through a program called “Chega Mais.” American-born and -bred executives are encouraged to be on the front lines on many occasions to help bridge the gap and openly interact and communicate with Azul’s diverse collection of crewmembers.

“With Brazil being such a young democracy, culturally speaking, Brazilians aren’t generally a society that questions much or pushes back, unlike people in the United States,” said Jason Ward, Azul’s vice president of people and customers. “Whereas we Americans, on the other hand, are from a society built on questioning the status quo, finding new ways to improve and making things right.

“That’s a fairly new concept for Brazilians, due partly to their significant historical period of oppression under military dictatorship. And together, moving forward, we’re working to optimally find the right balance in fostering mutual understanding and respect.”



**Embraer Aircraft** Azul turned to Brazil-manufactured Embraer 190 and 195 aircraft for numerous reasons. Mainly, the aircraft supported Azul’s strategy of hub bypass and lower-per-trip costs.

All of these ingredients have been intermixed to create an airline that has gained many accolades since it initiated operations in 2008.

Azul transported its first million passengers in record time, reaching this pinnacle after only eight months of operation. The only other airline that has ever transported more than a million passengers in less than 12 months is JetBlue, which did it in 10 months.

In February, Azul transported its 15-millionth passenger, representing 73 percent of all flights at Viracopos.

Understanding the keen need to serve smaller Brazilian markets, Azul expanded its aircraft fleet to include ATR-200s and ATR-600s. This further contributes to Azul’s growth and business plan.

The carrier has continued to innovate and expand its business model. In 2010, it launched Azul Cargo, which has now carried more than 12,000 tons of freight (more than 1.5 million packages). Estimates are that 5 percent of Azul Cargo sales originate in the greater realm of e-commerce, including direct customer demand (storefronts) and specialized logistics operators that partner with Azul.

Additionally, Azul created a tour operator called Azul Viagens.

Specifically regarding the airline’s innovative approach, Azul is the only national carrier that has its own flight simulators. In addition, it offers eight free bus lines connecting cities to airports, free snacks onboard, free live television of up to eight channels and the elimination of trolleys in the aisles.

Operationally speaking, Azul continues to lead in on-time performance in Brazil, according to the National Agency of Civil Aviation.

As a whole, the industry has taken due notice of Azul. The airline has earned several awards for excellence in the airline industry including:

- “Best Airline in Brazil” by the Airplane Review,
- “Highlight of the Year 2009” by *XII Aero Magazine*,

- “One of the 30 World’s Hottest Brands” by Advertising Age,
- “Best carrier among low-cost airlines in Latin America” by Skytrax World Airline Awards.

In the area of technology, Azul adheres to the philosophy of maintaining the best technologies available in the market to build a solid base and sustain the airline’s continuing high level of growth.

Key to large portions of this philosophy have been Azul’s decision and commitment to implement *Sabre® AirCentre™ Movement Control*, *Sabre® AirCentre™ Crew Control*, *Sabre® AirCentre™ Load Manager* and *Sabre® AirVision™ Schedule Manager*.

“Our tremendous growth and desire to communicate more effectively led us to the conclusion that our current systems would be incapable of meeting the challenge of the future,” said Dau. “With this in mind, we decided to partner with *Sabre Airline Solutions®*.

“Although the systems have only been online for a short period of time, we have benefited from the advanced technology and features within the systems. We believe that once we totally integrate and configure the systems, additional benefits will be realized.”

While it is obvious that technology has been destined to play a critical role in supporting this fast-growing airline, just as important are the crewmembers who demonstrate every day that Azul’s values make all the difference to the carrier’s success.

Looking at the remainder of 2012 and beyond, Azul’s objectives include:

- Continuing to grow at a rate greater than that of the market,
- Increasing frequencies to existing destinations,
- Adding 15 new destinations.

Azul will receive two aircraft per month to support its aggressive growth plans. It expects to transport an estimated 10 million passengers this year.

“In customer service, we don’t live in a black-and-white world,” said Ward. “We live in a gray world of many different shades. And in a gray world, customers don’t want to hear what you can’t do for them. They want to hear what you can do for them to help solve their problems.”

Azul has pledged to live by this fundamental philosophy.

Judging by its results after just three years of operation, the carrier has been able to blend all these elements into a solid foundational cornerstone of success. ■

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