

ASIAN AIRLINES & AIRPORTS



■ Doing Things Differently

Azran Osman Rani
AirAsia X Chief Executive



Finance: Liquidity Crunch

IT: Ancillary Links

Cargo: Still Converting



COVER STORY

Doing Things Differently

AirAsia X chief executive officer Azran Osman Rani is determined to prove the doubters wrong and show that low-cost long-haul can be made to work. He comes from a media, rather than an airline background, and is clearly a believer in innovation (*page 16*)

FINANCE FOCUS

Red Ink Day

Asian airlines have been having a torrid time as of late, with 2009 looking like a second year of heavy losses. Even so, veteran investor Jim Rogers thinks now may be a good time to invest in airlines. Standard & Poor's Shukor Yusof gives his views on what lies in store for 2009, as does Cabot Aviation's Vincent (*page 24*)

BOEING

787 Test Flight Nears

The Boeing 787 is expected to undergo its first flight test before the end of the second quarter. We take a snapshot of the programme as work continues with the FAA on type certification (*page 30*)

AIRLINE INFORMATION TECHNOLOGY

Upsell Opportunities

With ancillary revenues becoming ever more important to the airline bottom line, global distribution system (GDS) providers Abacus, Travelpoint (*page 31*)

CARGO

Programmed To Go

After years when getting hold of feed was a problem for freighter conversion programmes, the problem now is too many aircraft and not enough cargo demand. (*page 37*)

FEEDBACK

Social Connections

Shashank Nigam looks at how airlines can make best use of the new wave of social networking sites and other similar web-inspired communication platforms (*page 39*)

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Social Connections

Shashank Nigam details his five step plan for (really) making Web 2.0 work for airline brands



Customer as the Chief Marketing Officer

Recently, Delta Airlines' SVP of Marketing, Tim Mapes, was asked to speak at an industry conference about the changing role of the Chief Marketing Officer (CMO). He shared the story about one of Delta's passengers who "used his video cell phone to capture the onboard hullabaloo that arose during a flight delay, which he posted in real time on YouTube. At that moment, this passenger was the CMO. He had more power to communicate something about the brand experience than anyone of us in our corporate offices." And that's why it is difficult to ignore the importance of Web 2.0 today to the airline brand.

Web 2.0 (or social media) has empowered millions of customers to share their stories with anyone willing to listen to them. They have the power to influence buying decisions more than ever. As Seth Godin, the bestselling marketing guru says: "Conversations among the people in your marketplace happen whether you like it or not. Good marketing encourages the right sort of conversations." It is in an airline brand's own benefit to utilize the very efficient way to reach to its customers and interact with them in real-time.

Ignoring Web 2.0 now would be similar to ignoring setting up a website in 1997. If airlines don't do it now, they will have to do it later. But by that time, their competition would have the upper hand. And by some distance.

So, how do we make Web 2.0 work for an airline?

In a recent keynote I gave at the Freddie Awards 2009, on the importance of Web 2.0 for airlines, the question I most often got from airline executives was not what social media is or why it is important to the airline. It was more how to get started in these times, when marketing budgets have been slashed, there is a hiring freeze and the current staff either isn't familiar with the medium, or doesn't have time to work on it in a sustained way. Hence, here is a five step process to get started down the social media path right away, and make it a success for an airline brand.

Step 1: Decide why you want to venture into Web 2.0 - the business objective

I've been often asked by airline executives whether they should be on Facebook, or whether their CEO should have a blog. But I feel those are the wrong questions to start with. Technology works best when deployed as an enabler for business goals, rather than pursued as an end in itself.

Every business decision should ideally lead to a rise in profits - by increasing revenues or reducing the costs. Web 2.0 is already a very low-cost medium, as often the highest cost involved is that of human resources. At the same time, it's important to determine one or more ways of increasing revenues.

Specifically, a Web 2.0 initiative may result in greater revenues by increasing market size. Moreover, Web

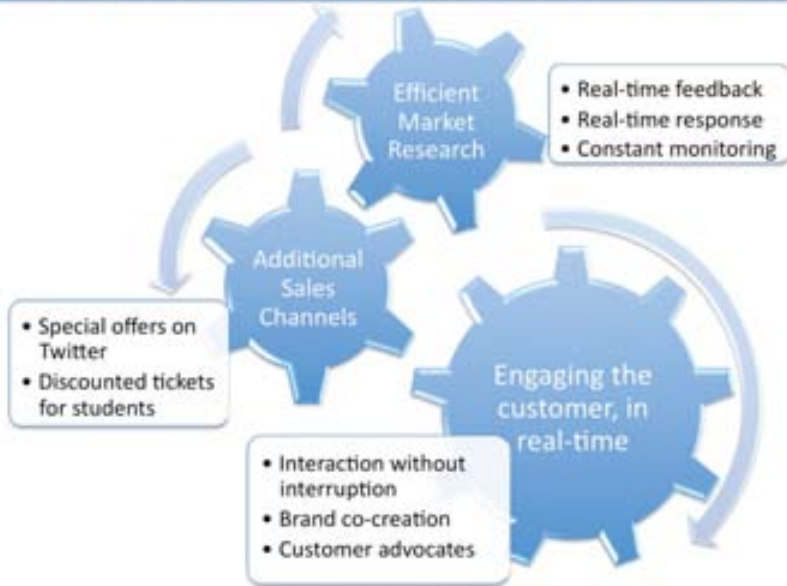
2.0 can also help build loyalty among customers, hence increasing the number of times a passenger flies with an airline over a given period of time. Lastly, Web 2.0 can help increase the lifetime value of the customer - where the airline generates more revenue per passenger.

Having determined which of these business objectives are most urgent and important, the airline must then decide on how to leverage the strengths of Web 2.0 for achieving these objectives.

Step 2: Decide how you want to achieve it - leveraging Web 2.0

Latest research reveals that of the 89% of people who wanted on-going conversations with brands through social media, 43% wanted brands to offer customer service, 41% wanted companies to solicit feedback and 37% wanted companies to provide new ways to interact with the brand via social media. That's a sizable number of people keen on interacting with brands through Web

How airlines can leverage social media for brand building



2.0. How can airlines do this?

Engagements on Web 2.0 can be classified in three high-level silos. The first is to leverage the medium for developing new sales channels or complementing existing ones. For example, Dell announced recently that it had made US\$1 million by pre-releasing special deals on Twitter. Similarly, airlines like Southwest have regularly started releasing offers on Twitter. Lufthansa has developed a community platform for students, GenFlyLounge, where they share backpacking travel tips and buy Lufthansa tickets at student prices.

The most popular way to tap on Web 2.0 is to engage the customer actively, and creatively. AirAsia does this very successfully through its blog. It regularly holds competitions on the blog and invites customers to participate in discussions. Most recently, it held a blogging competition for recruiting pilots - a first in the industry, which has generated tremendous buzz about the airline.

Lastly, Web 2.0 can serve as a very efficient market research tool, providing real-time feedback, response and interaction between the airline, and its customers and employees. JetBlue

Airways has been able to tap on Twitter for this purpose, by constantly being in touch with over 200,000 of its “followers”.

Having determined how to leverage Web 2.0 to achieve a business objective, the next step requires determining the specific tools to ensure success.

Step 3: Decide which Web 2.0 tools you want to use - technology as an enabler

If a novice dives into the world of social media, he will probably be baffled by the flood of tools at his disposal. To make decision-making easier, these can be categorized into four buckets and their contribution to the business objectives will differ accordingly.

The most popular and easiest to use are rating and review sites, which rely on feedback from a critical mass of people contributing opinions. A good example is TripAdvisor.com, which has ratings and reviews on hotels. British Airways has developed a similar website at Metrotwin.com for travelers between London and New York, one of the airline’s highest yielding routes. This is an example of an effort that is probably not directly driving

revenue, but helps establish British Airways as the carrier of choice due to the value-addition it provides to the travelers.

The second category of Web 2.0 tools airlines can leverage for brand interaction consists of community websites - like Facebook and Myspace. These provide easy access to potentially thousands of customers through a medium they are very comfortable with. Virgin Atlantic has a Facebook page that has over 10,000 “fans” with which the airline regularly shares special offers, event photos and seeks constant feedback through polls. The best part is that it’s free! AirFrance-KLM has gone a step further and developed its own proprietary community site, Bluenity, to allow interaction between its frequent fliers.

Web 2.0 allows any individual to demonstrate expertise on a topic and be an influencer. Airlines should empower such influencers to share their brand story through blogs and content sites. A review of Cathay Pacific’s new business class product on SimpliFlying.com appears on the first page of Google. And this was possible because Cathay provided me with all the resources I needed to write an exhaustive review. Alaska Air has a full-time person monitoring and managing conversations with the frequent fliers hanging out at FlyerTalk.com, a very popular forum for airline junkies.

Lastly, airline executives should keep in mind the meteoric rise of instant messaging platforms like Twitter. These are best used as market research tools, allowing almost real-time interactions. A couple of weeks ago, Alaska Air used Twitter to keep its customers updated on the status of flights out of its Anchorage hub, which was shut down due to a volcanic eruption.

Once the right tools have determined the right Web 2.0 strategy, which achieves the business objective, it’s important to decide on the measures for success in such an initiative.



Credit Collins, Xu Wei

Brand Strategist

Shashank Nigam is a well respected airline marketing and branding strategist referred to by branding gurus as “a future business leader to watch”. He authors an award-winning blog on airline branding at SimpliFlying.com, which has over 150 case studies on airline brands that have been read over 60,000 times. His seminal 6X Airline Branding Value model was first published by Interbrand’s Brandchannel.com.

Shashank has received a lot of attention for his ideas concerning airline branding and social media, having been interviewed on CNBC, and in various other media over the past few months and spoken at leading conferences around the world. He is also the contributing author of two highly acclaimed books on branding published by Wiley in 2006 and 2007.

Shashank is also the Global Head for Brand Strategy at Airline Capital Associates in New York City and on the Board of Advisors at Global Health Care Policy Council. Shashank studied Information Systems Management and Business Management at Singapore Management University and Carnegie Mellon University. He currently resides in Boston and Singapore.

Step 4: Determine what success looks like - ROI & ROE metrics

Companies are often quick to dive into new initiatives without having a clear understanding of what success means, or assess Web 2.0 success using traditional marketing metrics. This can be detrimental in the long term, as a number of initiatives might be incorrectly deemed a failure. Web 2.0 campaigns require a different approach towards metrics.

Specifically, return on investment needs to be coupled with return on engagement, which takes into account the non-monetary and community aspects of social media. For example, an initiative like Lufthansa’s GenFlyLounge would surely have number of student-priced tickets sold as a metric for success. But it will also have measures like the number of new discussions, the number of comments for each discussion and the conversion rates for members who end up buying tickets.

Step 5: Ensure successful execution

To bring a Web 2.0 initiative to reality, the previous steps must be combined with flawless execution. In the heavily

siloesd airline industry, it is important to give ownership of a Web 2.0 strategy to a core team or a person who has the authority to access resources across departments.

Also, it’s perfectly fine to start small, as long as social media tightly coupled with the overall airline brand strategy. For example, social media channels should be linked to traditional channels, like website and print media, when garnering sales.

Most importantly, it is crucial to recognize the risks of a Web 2.0 strategy up-front and prepare for them in advance. Airline executives must also be mentally prepared to involve the community in any decisions, when something goes wrong.

What are you waiting for?

I believe that there are three types of airline executives in this world. There are those who make things happen. Then there those who watch things happen. And then there are airline executives who wonder why things happened.

If you’re one of the seventeen executives who reached the end of this article, then it’s time to make things happen. And a sustainable Web 2.0 branding strategy is your key. ■