

# Realising maximum flow from revenue streams

**Additional revenue streams play a key role in low-fare airlines. Bernie Baldwin reports on some recent programmes designed to increase revenue generation.**

**W**hen it comes to discussion of the low-fare airline business model, the emphasis often gravitates immediately towards how costs can be kept down. This tendency, however, can easily overlook what a low-fare carrier is trying to do – transport passengers safely and make money.

The smart airlines are those which recognise that incurring costs is not sacrilege; it is incurring them without really calculating the revenue potential they could bring. So offering 'frills' is not against the low-fare doctrine – just make sure that your airline will earn more from them than it has to pay to deliver them.

Of course, some risk assessment is likely before adding frills, but market analysis should assist any decision. And there are those airlines which are willing to take more risk occasionally for more reward, while some stay close to the 'hard-core' line and rarely speculate to accumulate.

Enhancing current revenue streams and innovatively creating new ones have been at the core of successful LFAs. Almost every carrier has links with car-hire companies and hotels on its website, but some are looking to offer more, be it in providing 'experiences' or in being a conduit for marketing information. Much of it is about knowing your clientele.

## ■ MARKET POSITIONING

Flybe has never positioned itself at the 'Wal-Mart' end of the low-fare airline market. When chairman and CEO Jim French turned the

airline's business model on its head in 2002, he envisaged Flybe sitting relatively close to the 'hard-core' LFAs, but not among them.

Recently, Flybe created a wine club for its passengers, Flybewines.com, the idea of which would be anathema to many advocates of the hard-core model. But as Simon Lilley, the airline's marketing director, indicates, "It's all about product innovation and driving ancillary revenues."

Flybewines.com has been set up in partnership with Wines4Business.com, a leading UK online wine retailer led by Peter Jones, known to many for his appearances on the BBC TV programme *Dragons' Den*. He set up the company having analysed the growing amount of business being conducted online.

"Wine and aviation go together," Lilley points out. "The customer profiles are quite similar, and especially those of our passengers, as we fly to wine regions. Customers going for city breaks also fit the profile. And this business is all about building relationships with the customers."

Members of Flybewines will receive all the usual information about airline promotions and competitions, but will also get updates on new wines and seasonal offerings, special offers, plus advice from a leading wine expert. Wines4Business will supply the wine for use on board the flights.

Lilley emphasises that neither Flybe nor Wines4Business would be involved if there weren't a revenue benefit. But both feel that Flybewines is more than a simple consumer deal.

"It's a true partnership," says Jones, "not just a contract to make a bit of money. This is something that will be highly regarded in the market place, and it will grow, change and innovate. What we are doing is supplying customers with leading-edge service in a low-cost way."

Jones admits that he had initially not realised the volume of Flybe's bookings made online. Now he views the partnership with the airline as a "natural portal" for other online services. Another potential among his ventures is Red Letter Days, which sells experiences such as motor sports, flying, adventures and gourmet days. "I'm involved in about 25 businesses, and about half would fit this [model]," Jones acknowledges. If any of the 25 do go down this route, "it will be all about extending the value of what Flybe gives to customers," he adds.

Though launched first, Flybewines is being integrated as a benefit into the airline's new Rewards4all frequent flyer programme. The company claims that this is the first true low-fare airline loyalty scheme, and it is open to all passengers. Customers will be able to



Flybe marketing director Simon Lilley and Peter Jones, owner of Wines4Business.com, launch Flybewines.com, the home page of which is shown on the screen.

use their points for free flights or one year's free executive lounge access.

"This is another part of Flybe's constant innovation and commitment to invest in our regular customers," declares chief commercial officer Mike Rutter. "We currently carry the highest percentage of business travellers in this sector. Rewards4all will help to develop and maintain those relationships. There is now no reason to fly legacy.

"The scheme will be a big attraction for those second-home owners, city breakers and families taking regular trips to visit friends and family, who are at the heart of our customer profile," Rutter maintains.

### ■ FINDING REVENUE IN BINS

Providing passengers with information through advertising is always a regular revenue stream for airlines. Ryanair, however, has come up with a novel method of delivery.

The airline has signed a contract with advertising company Fourth Edition to sell advertising space on the doors of the overhead luggage bins in Ryanair's fleet of 737s. The adverts are already being placed on aircraft in a new patented framing system called Aeropanel, which fits onto the bin doors.

Several companies have already signed up to have their adverts appear on the doors,

including Meteor, which claims to be Ireland's fastest-growing mobile phone operator. Contracts have also been signed with drinks manufacturer Red Bull for UK-based aircraft and with ING Bank for the airline's Belgium-based fleet.

These deals illustrate the flexibility of the initiative, as advertisers can choose the markets they want. Fourth Edition is selling the spaces on a country-by-country basis, so that advertisers can focus on their high-value customers. Alternatively, a pan-European campaign can also be delivered if required.

Ryanair and Fourth Edition are not stopping at luggage bins, though. Seat-back tray advertising is also being developed and will be fitted in five Ryanair aircraft as part of an evaluation programme.

Space is also available for advertising above the tray, and Miami-based Headrest Displays is already helping airlines to make money from this piece of onboard 'real estate' which is constantly in the passenger's eyeline. The display is a simple headrest seat cover incorporating a display window. Made from materials fully approved by the FAA, the covers not only contain the adverts, they can also be tailored to blend with the cabin interior.

Simplicity and flexibility are key factors to the product, as managing director Michael Jeffrey

explains. "The static adverts may be changed every few days, weeks or months, given the request of an advertiser. Our advertising contracts run for a minimum of six months. Our sales department works closely with the airline's marketing team to coordinate ad sales and installation."

According to Jeffrey, several airline operators in the USA and the Caribbean are utilising the displays. "We are in talks with airlines in Europe, Canada, Africa and South America," he adds. "The feedback has been very positive so far. The main reason for this has been our business model and working agreements with the airlines. We manage the ad sales, installation and maintenance aspects of our product. There is no cost to the airlines using the product, only revenue.

"Advertisers enjoy having direct access to a captive audience aboard commercial aircraft and can focus marketing campaigns on a specific demographic," Jeffrey continues. "The telecommunications industry has taken advantage of this type of direct exposure more than any advertiser thus far."

To date, all the displays have been static, but Headrest Displays is working on dynamic versions which will enable the message in front of the passenger to change on a timed basis. "We intend to introduce our dynamic displays by the fourth quarter of 2008," Jeffrey explains. "We are currently developing a low-cost, self-contained mechanism which will power these displays."

Further ahead is the potential for the dynamic displays to take wireless inflight entertainment (IFE) systems. Although the development of this technology is currently company-led, Jeffrey admits, "We are open to working with IFE providers."

### ■ PROCESS ENHANCEMENT

Innovations among the products offered is one thing; equally important, though, is being able to deliver to the customer, especially on board the aircraft. This encompasses making sure that stock is available through to processing the revenues from each transaction. →