

# AVIAMIND CASE STUDY

## About AVIAMIND

AviaMind is an innovative consulting services company with deep roots in Air Cargo Logistics, Business and Commercial Aviation. We bring together the expertise of a top management consultancy with the creativity of an analytics agency.

## Commercial Aviation

AviaMind investigates organizations' challenges to improve their approach to commercial threats and opportunities. We meticulously ensure that your processes match your ambitions, from data through to customer experience, to make the most out of your commercial opportunities. We help you to stay ahead of the design, analysis and delivery requirements that today's on-demand customers expect.

For more information about AviaMind's Business Aviation services, please contact:

### Dejan Markovic

Principal Consultant

✉ dmarkovic@aviamind.com

☎ +1 416.529.3339

 [linkedin.com/company/aviamind](https://www.linkedin.com/company/aviamind)

 [twitter.com/aviamind](https://twitter.com/aviamind)

 [instagram.com/aviamind](https://www.instagram.com/aviamind)

 [facebook.com/aviamindinc](https://www.facebook.com/aviamindinc)



## INDUSTRY POSITION

MID YEAR REVIEW - 2018

## COMMERICAL AVIATION

### Executive Summary

Airlines have enjoyed a period of record earnings, with 2017 the highest year of profits according to IATA. Thanks to record low interest rates, not only have more passengers flown, but liquidity in the markets have enabled upstarts to disrupt legacy business models by innovating right out of the gate. It wasn't that long ago that the cost of fuel was what kept airline executives awake at night. Today the pressures are building around three areas in the industry: interest rates, operational costs and intense competition. The fortitude to innovate tactically is what legacy carriers need now to survive the next correction.

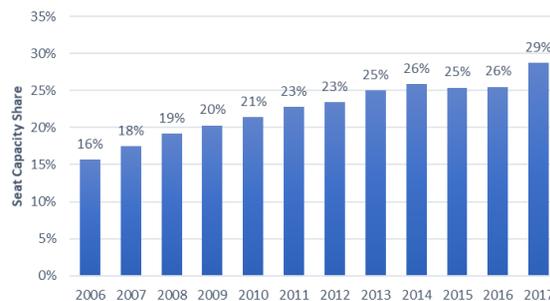
### Cost

Generally, economic growth drives higher fuel prices. However, in the past years fuel prices have dropped while passenger and air cargo demand inflected upwards. Today, uncertainty looms over this politically influenced leading economic driver. Likewise, interest rate hikes are already showing signs of their own reversals, possibly paralleling the timing of increased labour costs that many negotiated deferrals to. It is these very same low borrowing rates that fuelled growth by giving airlines the ability to invest in growing capacity and networks, adding destinations and planes. Unfortunately, as capacity slows quicker than demand growth, unit costs rise. From an operating perspective, margins are being squeezed because of a rise in breakeven load factors resulting from higher unit costs.

### Competition

Airlines are being forced to juggle their business models to transition from full service (FS) carriers to low cost (LC) and ultra low cost (ULCC) carriers. For some, the approach is a hybrid of both premium and ultra low-cost services to be able to compete broadly. The truth is, many airlines are in a reactionary mode and changes to business models are going to cause stress particularly for those that are going to require reinvention of their operating mentalities. Its worth noting that traditionally, full service carriers have had varying success in changing their models.

LCCs' Global Seat Capacity Share (Source: Statista)



Low cost carriers accounted for about 29 percent of seats available on flights worldwide in 2017.



By exploring non-traditional services, airlines can close the revenue gap to effectively compete in a flooded marketplace.

### Technology

It used to be as simple as sustaining a competitive product or service would satisfy your existing customers and increase their loyalty. A little bit of effort in innovating would help you to win new customers, increase your market share and boost revenues. Move over tribal thinkers, digital marketing is about to enter a more challenging territory where connected power consumers look to solutions that are not just provided by airlines but are available on demand, always relevant and responsive to their desire for pinpoint information. The result, a product of the symbiotic evolution of technology and consumer expectations.

### Innovation

Commercial activities are an equally natural part of operations as activities directly related to core business competencies. Some of the most successful organizations have implemented novel ways to place their non-core revenues on par with or even exceed revenues earned through core sources and play a decisive role in organization's economic success. By exploring non-traditional services, they can close the revenue gap and effectively compete in a flooded marketplace.

To ensure competitiveness and sustainability, airlines must learn to adapt to needs of the market by focusing on a customer-centric strategy to gain a competitive advantage and optimize the cost-revenue ratio of sales and distribution. The key is to define a sales strategy that results in offering what customers truly desire, rather than concentrating on just selling the same products as your legacy.

### The Opportunity

Analytics can create new opportunities and disrupt entire industries, but few leaders appreciate how. To maximize, leaders must move from hoarding data to sharing it, realizing that there is more value in comprehensiveness. Leading organizations are now including big data from both within and outside the organization, incorporating structured and unstructured sets, machine derived, and online and mobile data to supplement and build on the basis for historical and forward-looking views.

The dynamics between creativity, business and research are evolving in response to faster changing and increasingly hostile economic climates. Leaders are being challenged to think about their place within this triangular relationship and lead with bold creativity, connect with customers in imaginative ways and design their operations for speed and flexibility to position their organizations for forward looking success. The difference between being creative and imaginative is the ability to act on ideas. Many CEOs are eager to speak imaginatively about perceiving the world in new ways, adopting or designing new processes and technologies. Few however are willing to act on those words of inspiration and headship.

AviaMind helps organizations explore the value, connections and interventions between creativity, business and opportunity. Finding ways to not only innovate business models but do so with analytics, technology and creativity.

For more information about AviaMind's Business Aviation services, please contact:

#### Dejan Markovic

Principal Consultant

✉ [dmarkovic@aviamind.com](mailto:dmarkovic@aviamind.com)

☎ +1 416.529.3339

 [linkedin.com/company/aviamind](https://www.linkedin.com/company/aviamind)

 [twitter.com/aviamind](https://twitter.com/aviamind)

 [instagram.com/aviamind](https://www.instagram.com/aviamind)

 [facebook.com/aviamindinc](https://www.facebook.com/aviamindinc)