



## **Business Operations: Delivering Value**

*BMI baby: business model*

### **Narrator**

The basic business model is to offer low-price air travel in a competitive market. BMI Baby aims to provide choice in its destinations and flight times as well as a good level of customer service. However the company's quite clear about the nature of its product.

### **Steve Burns**

We have to have low costs in order to be able to deliver low fares and for us, low fares drives the market growth. Without low fares in our market, we wouldn't be evolving in a growing market.

### **Lee Gainsbury, Ground Services Director**

We have a base fare and a base service which is to get a passenger from point A to point B and during that travel you have the possibility of bolting on to your journey, any other options that you might want to take. Now that could be access to the lounge, before taking your flight, meals on board, it can be insuring that you're sitting in a seat that has ample leg room, which is entirely at the choice of the passengers, so we're not forcing these options on people through the pricing, we're giving the passenger the choice to say, yes I do want it, no I don't want it.

### **Narrator**

Like any other business the airline must understand its customers in order to ensure it provides for their needs.

### **Steve Burns**

I think one of the most important things that we do as a business is design our product and our product, in many ways, is where we fly and when we fly. And that manifests itself in the form of a schedule, which dictates what an aircraft does over the course of the day and with 21 aircraft in our fleet, we have a schedule for each of our aircraft lines.

### **Tim Berry**

In the construction of our flying programme, we have to try and meet the demands of the high value business passenger and at the same time, satisfy the needs of our leisure customers. And the way that we achieve that in general terms is that we'll operate the aircraft out of one of our bases, starting around about 7 o'clock in the morning. It'll fly two short domestic, or short international sectors, and then it will operate a Mediterranean flight. And then it'll return in the afternoon, a new crew will take over and we'll operate, generally, four short sectors in the afternoon and into the evening and that is the way that we optimise the flying programme to get as much value as we can out of the aircraft asset between 7 o'clock in the morning and around about 8 o'clock in the evening.

### **Steve Burns**

We have in the form of our aircraft, very high value assets and those assets don't generally cost us any more with increased utilisation. So whether we fly one hour per day on the aircraft or 12 hours, the least cost on the aircraft, or the ownership costs, are identical. That generally means for us that we will aim to get, on average, of about 11 to 11 ½ hours of flying per aircraft, per day. In theory, we could get more from the aircraft but then you start to come up against limitations which are operational in nature and you also need time for the aircraft to be back at base having the daily maintenance done on them as well. So whilst commercially we'd love to be able to fly around the clock, our operations people want to take care of the aircraft and that's quite understandable.

**Narrator**

Maintaining high capacity utilisation without sacrificing a reliable schedule requires careful planning.

**Tim Berry**

Our approach is to build our backup capacity into our, into our flying programmes. We build firebreaks between the early shift, what might be loosely termed, the early shift and the late shift to ensure that if we pick up a delay in the morning, that it doesn't knock on throughout the entire day.

Contrary to popular belief, airlines do not have aeroplanes sitting in hangers waiting for the moment that something goes wrong. The cost of having an aircraft permanently available as a backup would run somewhere between a million and a million and a half pounds a year to maintain that aircraft.

**Steve Burns**

I think one of the aspects of building in redundancy or firebreaks into our programme is that quite often you look at that as a lost revenue opportunity but there are huge costs to airlines, especially with new European regulations, about how you need to compensate and refund passengers when things go wrong. Like all operational businesses you can't expect to be perfect all the time, but we have a very low tolerance of significant delay, because the passengers have very low tolerance of those delays.

If people have a bad experience, they may not return to us. Repeat business is very important.

**Tim Berry**

We take note of feedback from our cabin crew as to the needs of the customer on board the aircraft because those needs are often expressed directly to the cabin crew. So they are our customer facing staff and so their feedback to us is very valuable and the cabin crew have to be very flexible to deliver a different kind of service to the business passenger who travels first thing in the morning, the leisure passenger who travels half way through the day or the other leisure traveller who's going away for a stag night in Prague.

**Narrator**

The company measures its operations performance principally in terms of flight punctuality. There is a definite financial incentive for ground services.

**Lee Gainsbury**

We measure performance of two sides. One is on the operational side and that comes mainly down to on-time performance. Each minute that we're late leaving an airport is £50 and that's a sort of standard throughout the industry. So we measure that on a daily basis. The other side of the key performance is more difficult to measure on a daily basis and I'm talking about things like the time that the bags are delivered from the aircraft to the baggage belt, the number of bags that are lost. And these are things that we'll measure over any given period of time and there we can only look for trends as opposed to a one off bad performance indicator.