



## **Business Operations: Delivering Value**

*BMI Baby: Outsourcing and cost management*

### **Narrator**

Although BMI Baby chose to keep their core operations in house, the nature of the business demands the out-sourcing of many ground services.

### **Steve Burns**

I think one of the trends in the last 10 years was in the airline business as a whole, not just the low-cost end of the business, is the area of third party out-sourcing of certain elements of the operation. I think areas such as aircraft maintenance, ground handling, call centre environment, they're all areas which in our business, we ask third parties to do for us.

### **Tim Berry**

There are some things that by fundamental principle we don't like to out-source and one of those key areas is the management of our operations and our crewing but the rest of our activity is out-sourced.

### **Lee Gainsbury**

95% of what we do is actually subcontracted out to third parties. A contract in itself is fairly simple in the sense that we tell them what we want and they tell us how much it's going to cost. What we do try and add on, and that's a little bit more difficult to get, is a service level agreement, where we want financial penalties if they don't perform to the level we're expecting of them and for instance we can say that any delay that we've had which is a direct cause of that handling company, we'd expect a discount on the handling rate for that particular delay.

### **Narrator**

Attracting as many customers is important for most businesses, but BMI baby gives priority to cost management rather than generating revenue.

### **Steve Burns**

I think in terms of airline focus, when we have projects which we need to deliver in a year, we will always focus on guaranteed cost delivery before possible revenue increases because you can generally guarantee costs when you've removed them, revenue tends to be not as much in our control.

### **Narrator**

Even in a no-frills culture, with the emphasis on time performance, safety standards have to remain high.

### **Lee Gainsbury**

Damage can quite easily come from a set of stairs where the rubber protection has fallen off. Nobody's noticed it, stair comes up to the side of the aircraft, being as a small dent in the aircraft, for us that aircraft has to come out and be inspected.

They are aware, the handling companies, of the extent of what damage to aircraft can cause of us in terms of a disruption. What we can only do is to make sure that their management is making their operational staff aware, on a constant basis.

**Steve Burns**

Every day we monitor our operational performance. We've got a very close eye on every single reason for delay and within the airline business we can categorise all delays so it's very important on a daily basis we diagnose the causes of those problems and try to immediately effect some change.

**Lee Gainsbury**

I think the low cost, low fare airline business is a very small close-knit community and everybody looks at what everybody else is doing and you'll see, quite often, in the industry that one company will come up with an idea of a service or a way of doing something and then very, very quickly everybody else will follow suit so as not to be left behind.

**Narrator**

Improvement opportunities are evaluated for the contribution they can make to the business, either on the cost saving side or for revenue generation. But the overall success of the airline depends on its strong teamwork ethos with happy employees delivering good customer service.

**Tim Berry**

As an organisation we are a genuine team. We value the contribution of our staff and I believe that staff value the goals of the organisation. So I believe in that respect that we are a good place to work.

**Steve Burns**

I think in many ways the success of an airline business in our part of the market, quite often people say when they're watching a football match, a good referee is the one you don't notice. And in many ways, I'll be quite happy if our service passed without incident.