HAPPY PASSENGERS MAY MAKE A DIFFERENCE TO AIRLINE PERFORMANCE AFTER ALL

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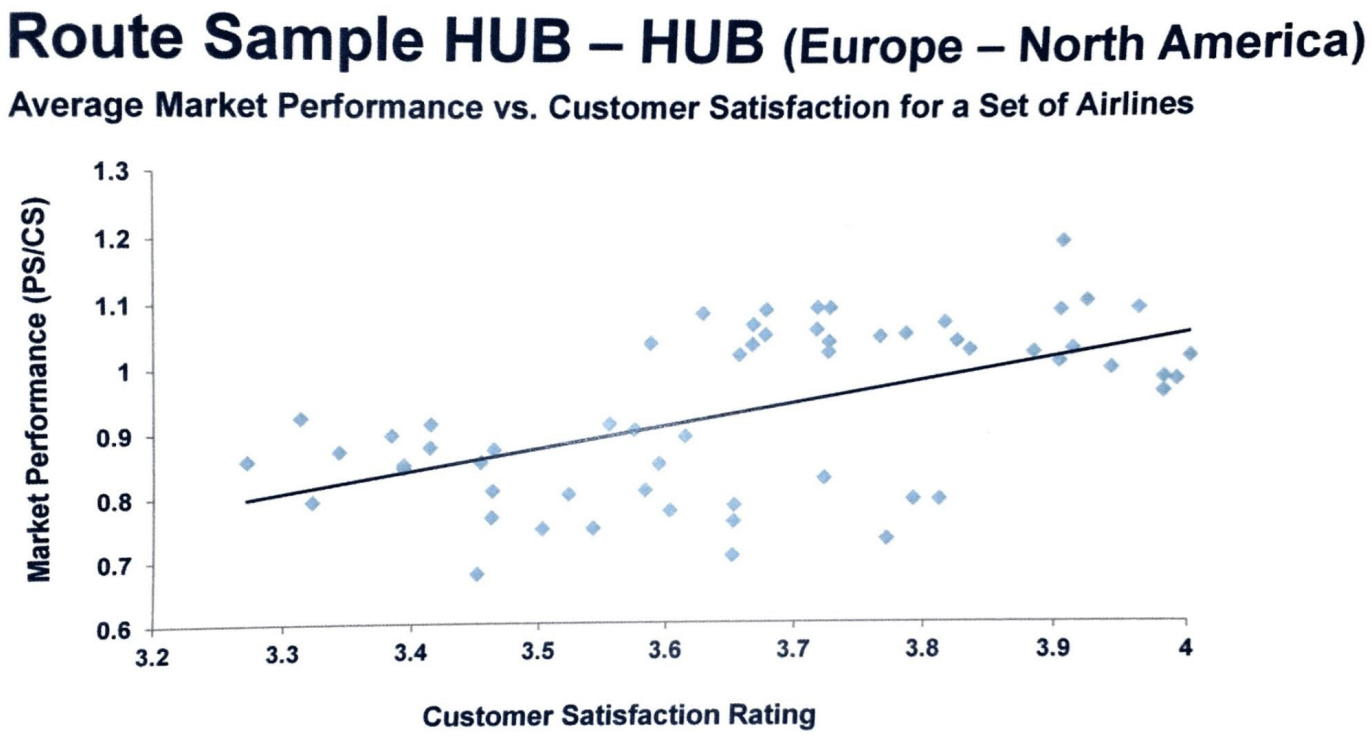
During yesterday's International Air Transport Association (IATA) Media Day in Geneva, IATA Director of Marketing and Sales Tim-Jasper Schaaf presented new data points which cast a new light on the importance of happy passengers.

The update came as a result of our previous report that IATA found no direct correlation between satisfied passengers and profitable airlines during a previous "non-scientific" review, as presented at the World Passenger Symposium in Hamburg, and subsequent reports in the media which extrapolated from the information we presented.

Upon noting media and public interest on this question, Schaaf said, the organization went back to the drawing board. A still not entirely "scientific" but more considered review of the results of IATA's "Airs@t Customer Satisfaction Benchmark" report, a survey of over 60,000 travelers carried out by an independent body, finds that there is some correlation between satisfied passengers and airline market share.

"In a scond step to see if there is a relationship between airlines' customer satisfaction and their market performance on individual routes, we took a look at the major European–North American route. We found a correlation coeficient of .54, which signifies a strong positive, linear relationship. Again, we found the same trend which is: the higher the customer satisfaction, the higher the relative market share," Schaaf said.

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The Airs@t Customer Satisfaction Benchmark report discloses each airlines' performance, in context of the competition, so that carriers can compare their performance against peers in the marketplace. Airline management, even CEOs, use the results of this Benchmark report to decide product and service strategy and to call attention to areas of improvement, Schaaf said.



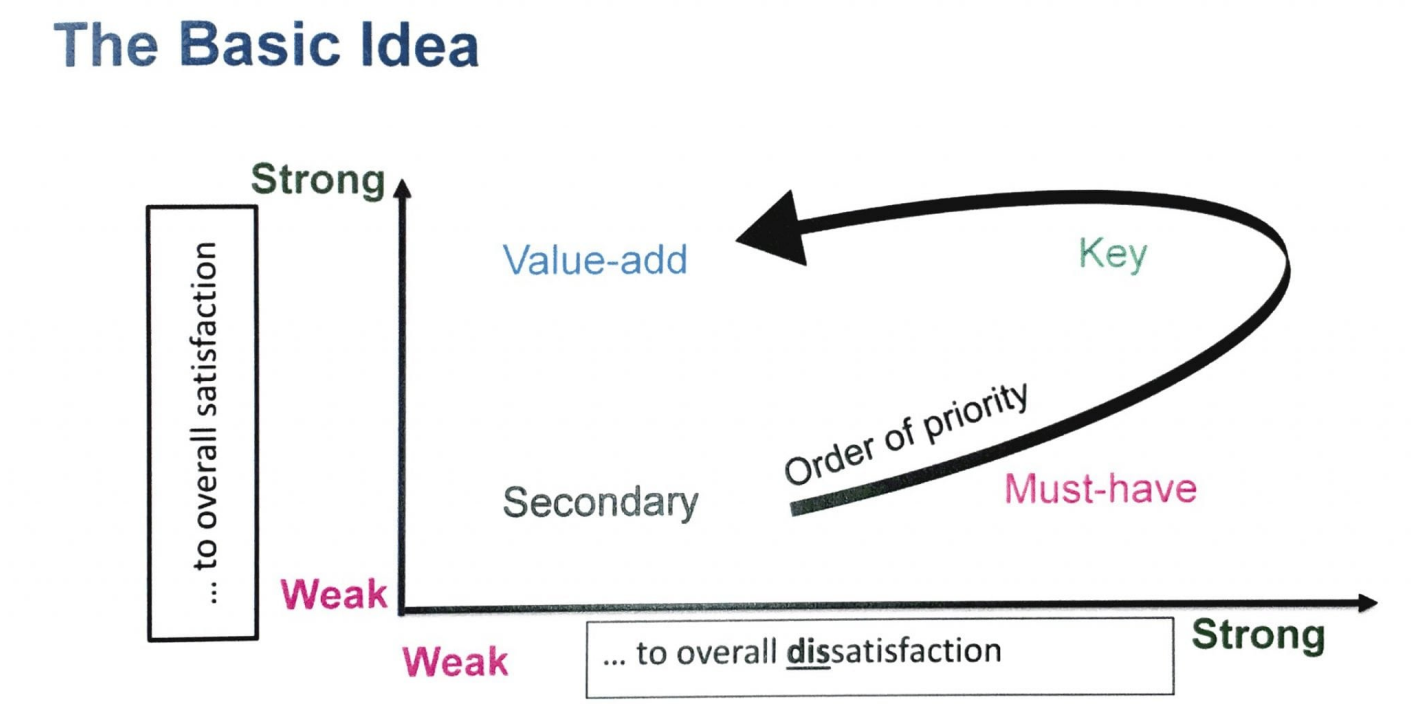
Getting Priorities Straight

Among the insights extracted from these studies and presented to airline senior managers and

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CEOs, are the top priorities of passengers for product and service which drive strong satisfaction or strong dissatisfaction with an airline. IATA groups these in to three tiers of priorities for review.

First priority items are intended to eliminate dissatisfaction and “get the basics right”. Second priority items focus on key attributes of the passenger experience which are most relevant to the passenger’s overall impression of their air travel experience. Third priority items focus on “motivators” which enhance the impression passengers have of the airline.



IATA presented its findings on these priorities for Business Class and Economy class passengers.

Business Class 1st Priorities “Must-Haves”: Cabin Crew appearance, responsiveness, helpfulness, availability, information provided by crew and overall impression. “Crew is by far the biggest driver for passenger dissatisfaction,” Schaaf said.

Business Class 2nd Priorities “Key Attributes”: Overall rating for boarding and departure, spaciousness of cabin, cabin lighting and design, cleanliness of the cabin and the washrooms, seat comfort and cleanliness, meal quality, selection, and quantity. The time when meals are served is also important to these passengers, as is the selection of drinks, the post-flight experience and value for money. “Airport process, cabin attributes, and seat and service experience are key,” Schaaf says. “Value for money is a consistent key driver across classes and regions.”

Business Class 3rd Priorities “Value-Add Attributes”: Lounge experience, cabin temperature, sleeping comfort, selection of newspapers and magazines, selection of movies, audio visual quality of in-flight entertainment system (IFE). Also important are the ease of operation of the IFE, the size of the screen, the availability of in-flight Wi-Fi, the variety of TV shows and series available, and IFE overall. “When they are not delivered, they have a limited effect on dissatisfaction,” said Schaaf.

Economy Class 1st Priorities “Must Have Attributes”: Helpful and courteous gate staff, overall positive boarding and departure experience, and, like Business class passengers, the quality of cabin crew. For Economy passengers, the most important crew qualities were responsiveness,

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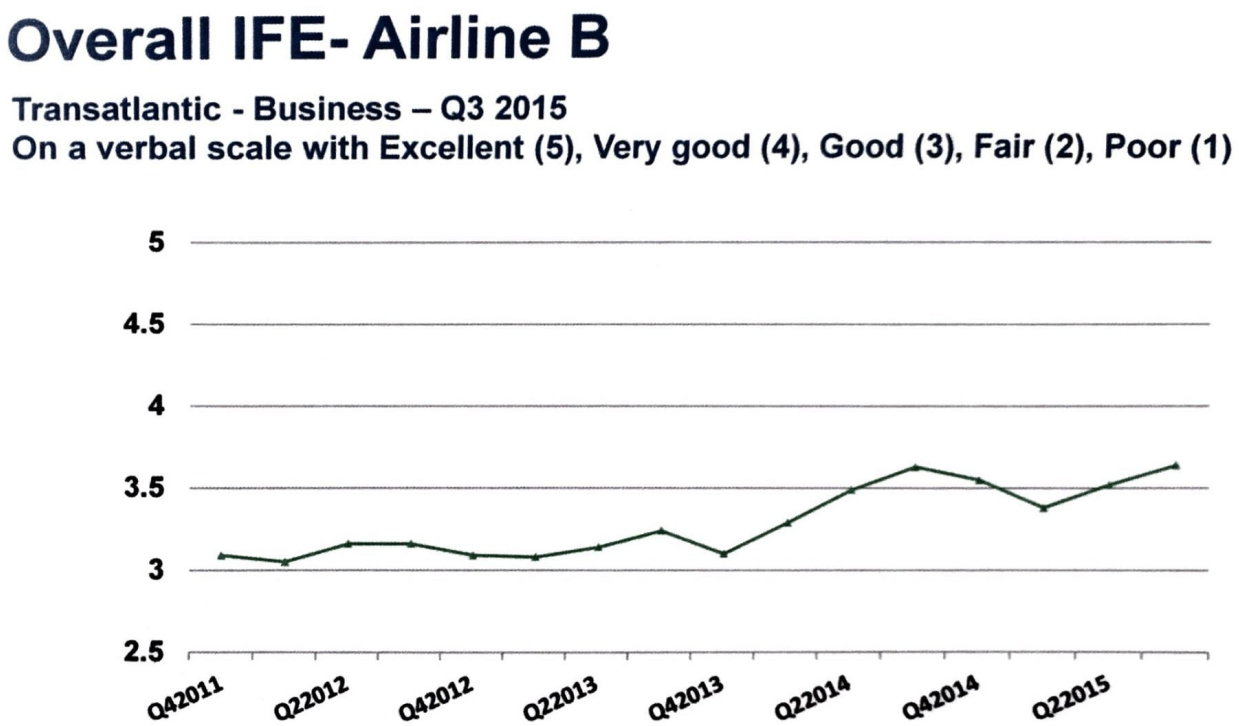
helpfulness, availability, and information provided. “Crew, but also airport and boarding, are crucial to avoid dissatisfaction among Economy passengers,” said Schaaf.

Economy Class 2nd Priorities “Key Attributes”: Information given at gate, stowage space available, cabin lighting and design, condition of cabin interior, cleanliness of the cabin, washrooms, seat and tray table, overall cabin features. Also important are the speed of on-board meal service, the time when meals are served, the choice of drinks available, overall in-flight food and beverage selection, efficient disembarkation, and value for money. “It’s a similar picture as in Business class, however you can see, for example, that stowage space is a ‘non-issue’ in Business class,” said Schaaf.

Economy Class 3rd Priorities “Value-Add Attributes”: Spaciousness of cabin, seat comfort, sleeping comfort, amount of legroom, ease of operation of seat controls, seat width, overall seat quality, selection of newspapers and magazines available. Also important are the sound quality in the cabin, the size of te screen on IFE, the availability of in-flight Wi-Fi, the overall IFE quality, the quality of food and beverage items, meals and snacks, including their visual appeal and the selection available, and the size of portions. “It is interesting to see the seat and meal attributes here–we can assume expectations are lower so people can be positively surprised,” Schaaf said.

Measures and the Halo Effect

While the Association would not openly publish details of member performance, it provided examples of the data presented to members.



As previously reported from the IATA World Passenger Symposium, some passenger experience improvements seem to have a limited shelf-life, when it comes to passenger satisfaction, others have a halo effect, sometimes both dynamics are at work on passenger perception of the product.

For example, the introduction of a new Business class seat may have a positive impact on overall passenger satisfaction in Business, until this product becomes a standard expectation. At the point where passengers expect a particular novelty it will make no difference to their perception of the brand or even be reflected as dissatisfaction if another introduction in the market is superior. It’s

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also possible to note a dip at introduction of the product (perhaps adjusted for reality versus expectations) then a rise as the product installation expands, then a plateau as the novelty wears off.



More interestingly, Schaaf said that when a new product is introduced, for example this Business class seat, passenger perception of other elements of the cabin which remain unchanged, like lighting or roominess or general cabin environment, is improved. This is known as a ‘Halo effect’ of cabin improvements which can allow airlines to get a greater return on investment for new products, though that too is of limited duration.

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