

# COMMERCIAL RECOVERY : HOW TO AVOID BLIND SPOTS

## Case Study of Reviving an Airline's Business Model

*A Latin-American carrier was trending downwards, experiencing negative growth and increased losses.*

### KEY FINDINGS

- Loyal customers were the least profitable (on average 18% less than infrequent customers)
- Ancillary services had no “stickiness” and did not generate sufficient revenues (2% of total revenues)
- Average fares were 2% lower than market fares
- Passenger growth was declining even though it had a competitive schedule (2% points below market growth)

Millennium Aviation was retained to coach through a commercial recovery exercise. The mandate was to (1) address overall profitability and (2) lay down the foundation for profitable growth. Using our Cruising to Profits business model transformation process and toolbox, we achieved the following:

- Return to profitability in 53% of its market (was 28%)
- Boost of 16% in ancillary revenues coinciding with only a 4% reduction in average fares
- Increased share of wallet spend of 22% from members in the loyalty program
- Tripled the number of members in the loyalty program in 180 days.

The approach we used is a simple but systematic proven and easy-to-use technique of exercises. We coached the client to:

- 1 Identify revenue and profit leakage through our **Business Model Health Index**
- 2 Expose the inconsistencies within the business and marketplace using our **Business Model Expiry Index\***
- 3 Implement initiatives that drive new revenues in the short term and are consistent with the identity of the airline in the long term.



Building Model Building Blocks\*\*

(\* ) The Business Model Expiry Index is a weight-based metric “score” calculated from 45 measurable KPIs, reflecting the stage of the business model life-cycle of each firm. It is a modern approach to the static balanced scorecard.

(\*\*) For more information, visit [www.millavia.com](http://www.millavia.com).

We compared our client to its peers and were able to locate the structural pain points.

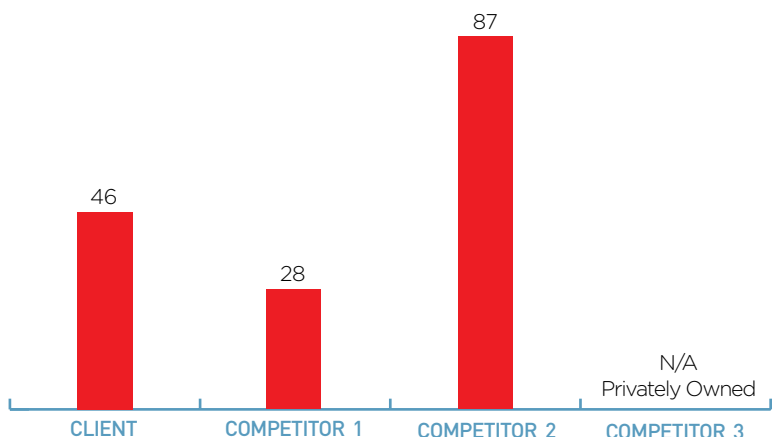


FIGURE 1 : Business Model Health Index (max score is 100).  
Tool used : Cruising to Profits - The Thermometer™

We identified strategic blind spots explaining why the airline was not profitable. Its business model was “expiring” gradually and we were able to measure and benchmark it. We then addressed each **business model building block\*\***.

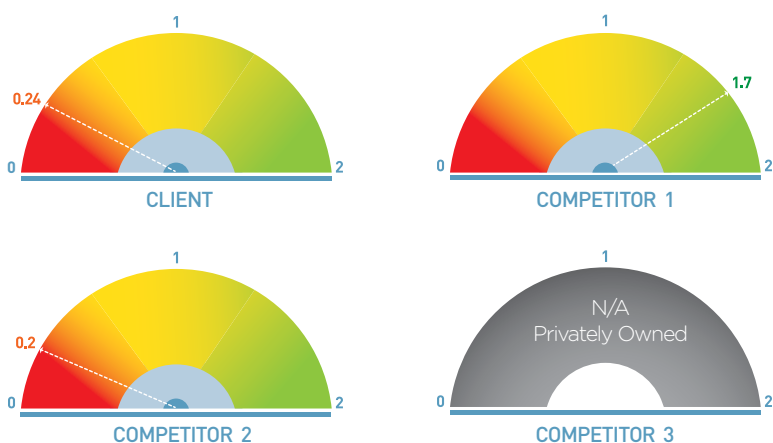


FIGURE 2 : Business Model Expiry Index (>1 is progressing, <1 is in decline, 0 = expired)  
Tool used : Cruising to Profits - The Barometer™