

Cheap and very CHEERFUL

The rise and rise of easyJet



easyJet may not yet lay claim to being Europe's biggest low-cost airline. Until its merger with Go is completed in April 2003, that honour goes to Ryanair. But in the seven years since launching, it has been responsible for some of the most effective innovations, and most memorable marketing initiatives, in the brief history of low-cost aviation. *Locum Destination Review* charts the evolution of easyJet from humble beginnings to 'superbrand' status, and looks at the prospects for the airline's future growth.

Founded in 1995 by Stelios Haji-Ioannou (above), easyJet burst onto the aviation scene with a flourish. Its first passengers flew from London Luton to Glasgow and Edinburgh for the ludicrously low price of £29 one way. At that time, easyJet was effectively a 'virtual airline', which contracted in check-in staff and pilots and flew two leased Boeing 737-200 aircraft. Since those early days, it has established its own fleet of aircraft, added a further 46

routes between 21 European destinations, including Geneva, Madrid and Barcelona, seen huge increases in turnover and profit - and purchased one of its main competitors.

The company has consistently used smaller airports as its UK base airports, which are not only cheaper to fly from than larger airports such as Heathrow but also far less congested, meaning shorter turnaround times for aircraft, enabling extra flights to be made on the most popular routes. London Luton was the airline's first base and remains the site of easyLand, the company headquarters, which is situated next to the main taxiway. Liverpool airport was officially established as a base in March 1999, with aircraft and crews based in the North West. The third base airport in the UK announced by easyJet was Newcastle, in October 2002. It became the airline's fifth base in all, with Geneva and Amsterdam Schiphol having been established as bases in continental Europe in 1998 and 2001 respectively. The airline may have increased in size but the fares have remained low.

So how did it all begin? One thing is for certain: without the major changes to air traffic regulation announced by the European Commission in 1987, there would quite simply be no easyJet. Prior to the

passing of the new three-phase legislation, flying schedules, fares and the amounts of passengers that could be carried by each national airline were actually negotiated between governments, effectively preventing competition from other airlines. As easyJet argues on its website, 'It is no coincidence that the concept of air travel as the preserve of the rich and famous is a hangover partly from this era.' Determined to be ready to take full advantage of the new 'open skies' legislation, easyJet obtained its Air Operators Certificate in September 1997, which meant that it could no longer be prevented from operating on any route within the European Union, including flights wholly within another country.

The way had been cleared for new airlines to try to muscle in on the traditional routes being flown by the flag-bearing operators. But how did easyJet go about taking market share from its competitors and establishing itself as Europe's leading short-haul airline?

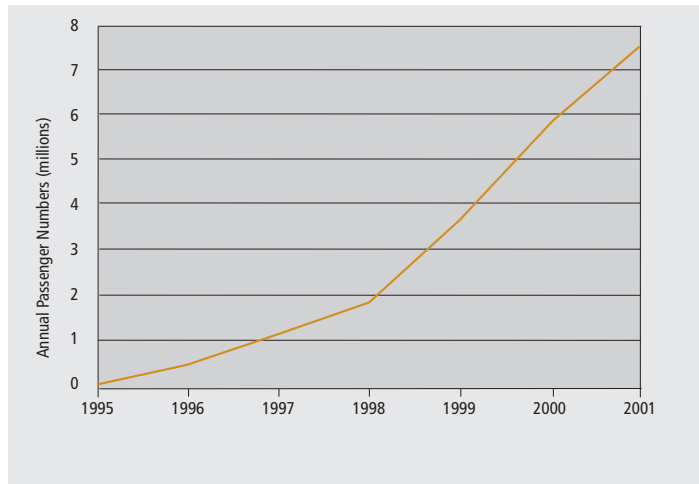
Strong business model

Unless you have been hiding under a rock for the last five years, you will be aware



easyJet now flies from nine airports ...

easyJet passenger numbers



... and has seen passenger numbers soar

that easyJet operates a 'no frills' policy. This affects every aspect of the business, from the selection of its base airports and the administration of the company to the way it interacts with passengers before and during their flights. Passengers on easyJet flights are only assigned seats when they check in. On board, no free lunch is provided, although sandwiches and light refreshments are available to purchase on board. The easyJet philosophy on airline food is simple: why provide it if people don't want it? By eliminating free catering, it has been able to make large reductions in terms of cost, bureaucracy and management.

The easyJet fare structure is aimed squarely at giving passengers maximum flexibility over when they wish to travel. All fares are quoted one way, with no restrictions applied to qualify for the cheapest fares. This differs markedly from the standard practice of the more traditional airlines, which tend to only offer cheap flights if the customer stays a Saturday night, thus excluding the possibility of cheap fares for day-return business or shopping trips. The easyJet booking system reviews bookings every day for all future flights and tries to predict how popular each flight is likely to be. The result is that if the percentage of seats sold

is higher than normal the price goes up, thereby avoiding the situation of selling out popular flights months in advance. The principle behind this is that passengers are given the flexibility to make last minute bookings and still obtain a better deal than if they flew with other airlines at the same time for the same journey.

Perhaps the biggest innovation pioneered by easyJet has been the use of the internet to reduce distribution costs. Having been one of the first airlines to embrace the opportunity of the internet when it sold its first seat on-line in April 1998, it now sells a higher proportion of its seats - approximately 90 per cent - through its website, easyJet.com, than any other airline. The passengers who book on-line receive an email containing their travel details and confirmation number, rather than tickets through the post. With so many of its customers now purchasing their seats on-line, easyJet has made massive reductions in the costs of issuing, distributing, processing and reconciling tickets each year. The popularity of its easyJet.com has transformed the airline into one of the UK's biggest internet retailers. In 2001, easyJet won the Best Value category in the first Visa e-tail Awards. By July of that year, easyJet had sold 10 million seats on-line.

From airline to superbrand

Back in 1995, easyJet's inaugural flights from London Luton to Edinburgh and Glasgow were supported by a powerful advertising campaign, which claimed that easyJet had made flying as 'affordable as buying a pair of jeans'. The impact of this would later be formally recognised by *Marketing* magazine, which described the launch of easyJet as 'one of the 100 great marketing moments of the twentieth century'. In the post-launch years, the company has placed its web-based approach to sales at the heart of its marketing efforts, calling itself 'the web's favourite airline', and positioning itself very deliberately as the low-cost alternative to British Airways.

On top of its innovative marketing activity, easyJet has won much praise for its corporate identity and branding, which leave the consumer in no doubt about its low-cost ethos. Since the launch of easyJet, all of the other easyGroup companies, including easyCar and easyMoney, have been assigned the familiar bright orange colour scheme. Even the company headquarters, easyLand, is a bright orange building. Throughout the airline's brief history, its highly distinctive corporate identity has arguably played as big a role as



easyLand: the very embodiment of the easyJet low cost ethos



easyJet chief exec, Ray Webster, with colleagues

its low fares in helping to increase public awareness of the easyJet brand. In November 1999, easyJet was selected as a Business Superbrand by the Superbrand Council, alongside globally recognised names such as Virgin, Coca-Cola and Manchester United.

In its quest to maximise brand profile, the company has espoused the view that all publicity is good publicity. Following the success of the BBC's behind-the-scenes look at Heathrow, easyJet allowed TV cameras to film a 'warts-and-all' account of life for the staff and passengers of easyJet at London Luton. The resulting series, 'Airline', was screened in January 1999, and proved a big hit with British viewers. Since then, a further four series have been broadcast, and more are planned.

Consolidating market position

The combination of favourable market conditions, robust operating principles and world-class marketing, underpinned by the entrepreneurial vision of the man now known to the public simply as Stelios, has brought major rewards to easyJet. Between 1995 and 2001, its passenger numbers rose from 30,000 to 7.7 million. During the financial year to 30 September 2001, the company reported pre-tax profits of £40

million on a turnover of £357 million. Hungry for further growth, easyJet completed a merger deal with Go in August 2002. From April 2003, the Go brand will be phased out and easyJet will become Europe's leading low-cost airline, overtaking Ryanair at the top of the tree.

The combined easyJet and Go fleet currently comprises 64 Boeing 737 aircraft, and over the next decade it will be significantly expanded. In October 2002, easyJet announced its intention to appoint Airbus as its preferred aircraft supplier, subject to shareholder approval. The plan is for easyJet to place a firm order for 120 Airbus A319 aircraft for delivery from September 2003 over five years, with 'price protection' on a further 120 Airbus A319 aircraft until 2012. It intends to introduce the A319s initially via its Geneva base from August 2003 operating under its Swiss air operator's licence. The idea is that, over time, both the Airbus A319s and Boeing 737-700s will become interchangeable on all easyJet routes, maintaining the 'any aircraft, any route' aspect of the easyJet business model.

The regional airports at which the airline has already set up base, London Luton and Liverpool John Lennon, have benefited from the easyJet revolution, making major gains in their passenger throughput. Soon it will

be Newcastle's turn. When easyJet flights begin from Newcastle begin in April 2003, new routes to three European cities will be opened up in addition to the existing Newcastle-London route flown by Go. The new routes will be decided after a process of consultation with the airport and the public, which is intended to establish the destinations for which there is most demand in the North East region.

It is estimated that the number of international scheduled passengers travelling between countries in Europe will grow from 176 million in 1999 to 215 million in 2003, reflecting an average annual growth rate of 5.1 per cent. The low-fare segment of the market, meanwhile, is expected to grow at a much higher rate, between 12 and 15 per cent, by 2010. On the evidence of easyJet's performance to date and the forecasts for overall market growth, the prospects look excellent. As the promoters of another leading superbrand might say, the future's orange - for the next few years, anyway.