

overcoming the challenges of
developing small businesses for
sustainable growth:

the bmibaby success story

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travel itinerary

- the bmibaby story
- why are you an SME?
- 7 C's of business and business growth
- how can an SME grow?



the bmibaby story

- started in 2002, way behind others
- 4 million passengers by 2006 (c. \$400m turnover)
- developed as a challenger brand (sub-brand)
- key strategic partnerships
- outsourcing non-key functions
- parent 'umbrella' (and brand / values)
- focus on the 7 'C's'
- Op Ex cost model
- rapid early growth so economies of scale
- management team attributes and attitude


why are you an SME?

- Intentional stagnation
- Un-intentional stagnation
- Intermediary phase



why are you an SME?

Intentional stagnation

- Happy with size and performance
 - Complacency?
 - Risk from competition & market changes
 - Not sure/worry of how to grow and/or next stage
 - Outside of your comfort zone
- 


why are you an SME?

Un-Intentional stagnation

- Trying to get to next stage – unsuccessfully
- Personal mind-set and skill-set change from leader
- Investment required (financial and/or resources)
- Behaving as an SME

Why are you an SME?

Intermediary phase

- Trying to get to next stage – successfully
 - Are you equipped to get to the next stage?
 - Investment required (financial and/or resources)
 - Still behaving as an SME?
 - Strategic partnerships?
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how high are you looking?



focus on the 7 C's

- competition
- cost control
- cash flow
- challenge
- change
- communication
- customer service



competition

- many SME's try to avoid competition
- monopolies are rarely sustainable
- competition develops even in small markets
- growth invariably involves competing
- do you believe in yourself & product?
- key is to accept and relish competitive challenge
- don't look over shoulder for others to arrive
- you need to be appearing on shoulder of others
- identify opportunities to compete
- challenger brand vs established competition

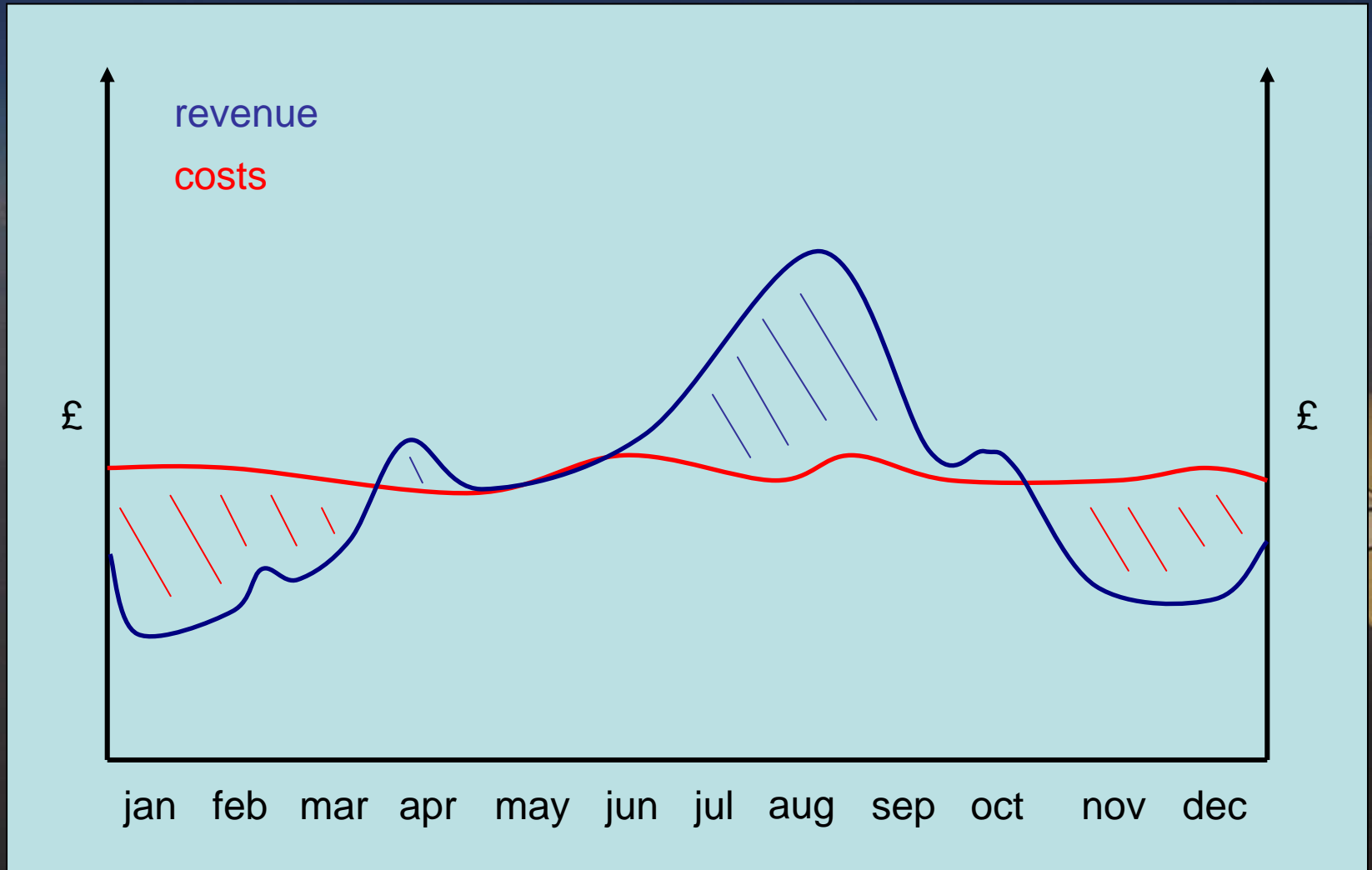
cost control



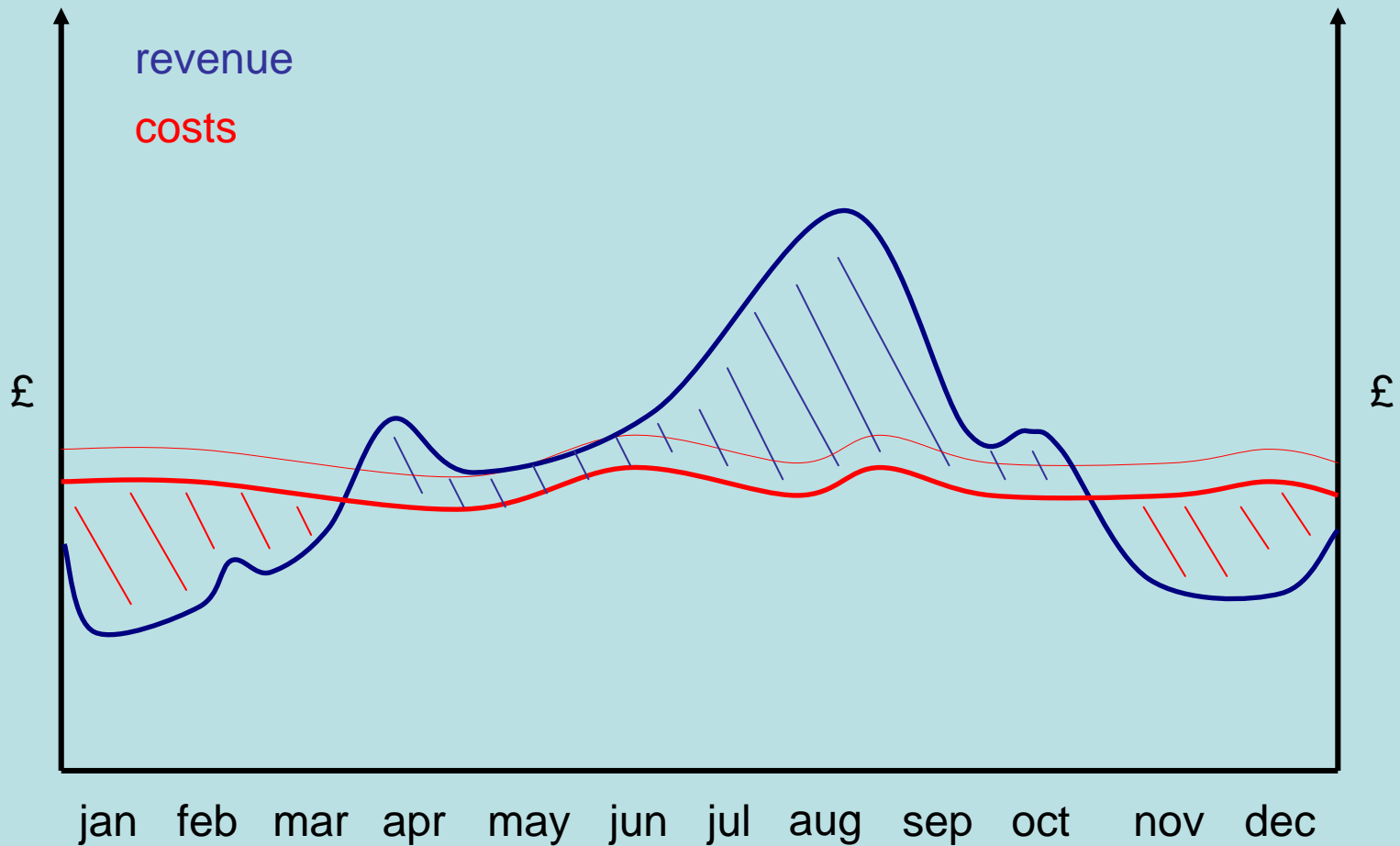
cost control

- SME's worry more about revenue than costs
- you have more control over costs than revenue
- if you have the lowest costs you can survive when the market is toughest
- Ryanair has the lowest unit costs in the world, and actually relishes tough trading conditions
- reducing unit costs has a longer term benefit than increasing revenue
- reducing unit costs is a direct function of growth
- rapid growth reduces unit costs of an SME...

commercial cost control



commercial cost control



Cost control: economies of scale

marketing cost of acquisition:

- young airline \$10m for 2m passengers = \$5 each
- Easyjet \$40m for 40m passengers = \$1 each
 - greater spend
 - greater market reach
 - lower cost per unit

\$10m ecommerce booking system as Op Ex:

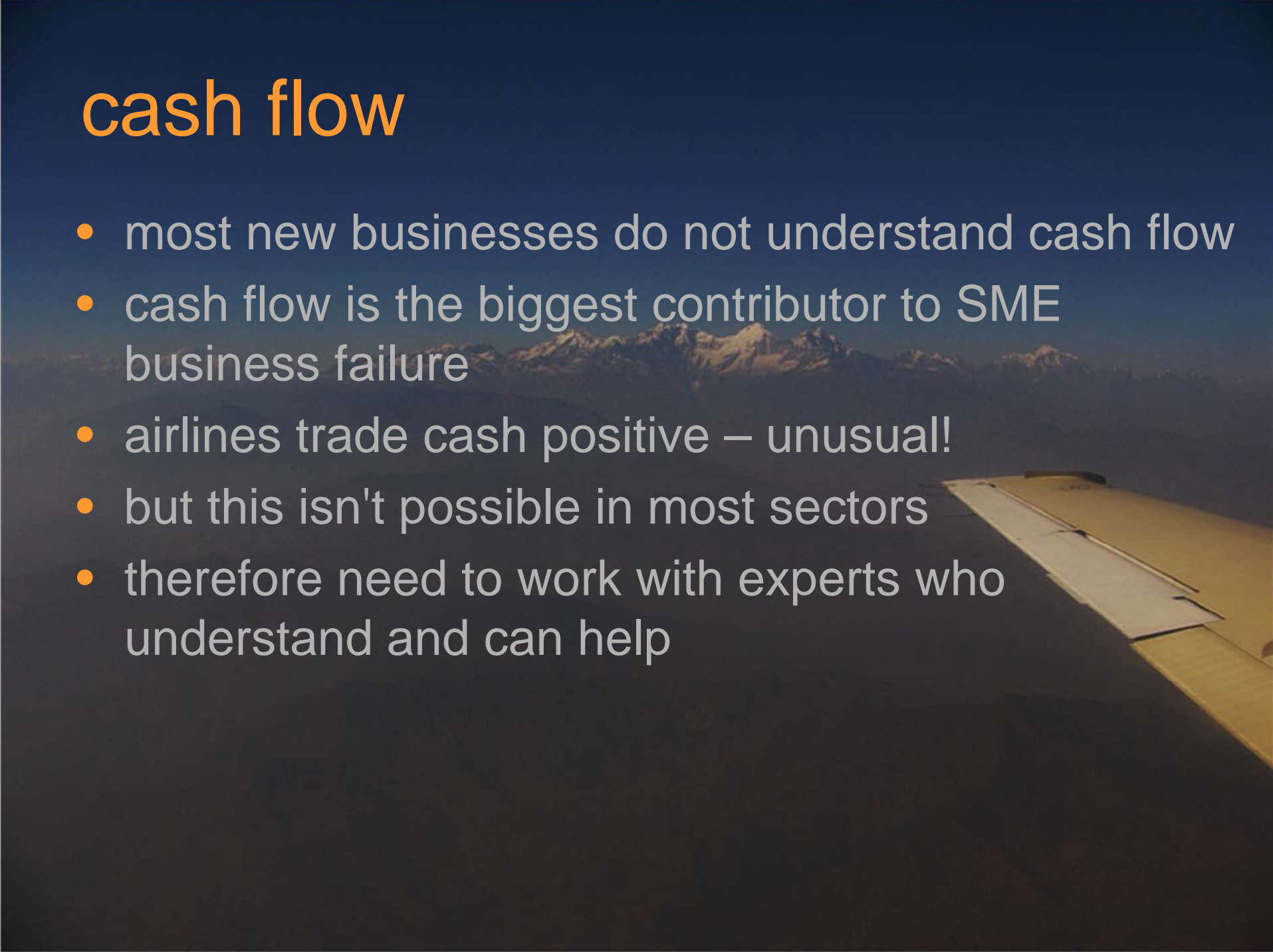
‘depreciation’ over 3 years:

- young airline 6m passengers (3 yrs) = \$1.67 each
- Easyjet 90m passengers (3 yrs) = \$0.11 each

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- *reducing unit costs has a longer term benefit than increasing revenue*
 - *reducing unit costs is a direct function of growth*
 - *rapid growth reduces unit costs of an SME...*

cash flow

- most new businesses do not understand cash flow
 - cash flow is the biggest contributor to SME business failure
 - airlines trade cash positive – unusual!
 - but this isn't possible in most sectors
 - therefore need to work with experts who understand and can help
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- A photograph of an airplane wing in flight against a blue sky with snow-capped mountains in the background. The wing is on the right side of the frame, and the mountains are in the distance. The overall scene is a clear, bright day.

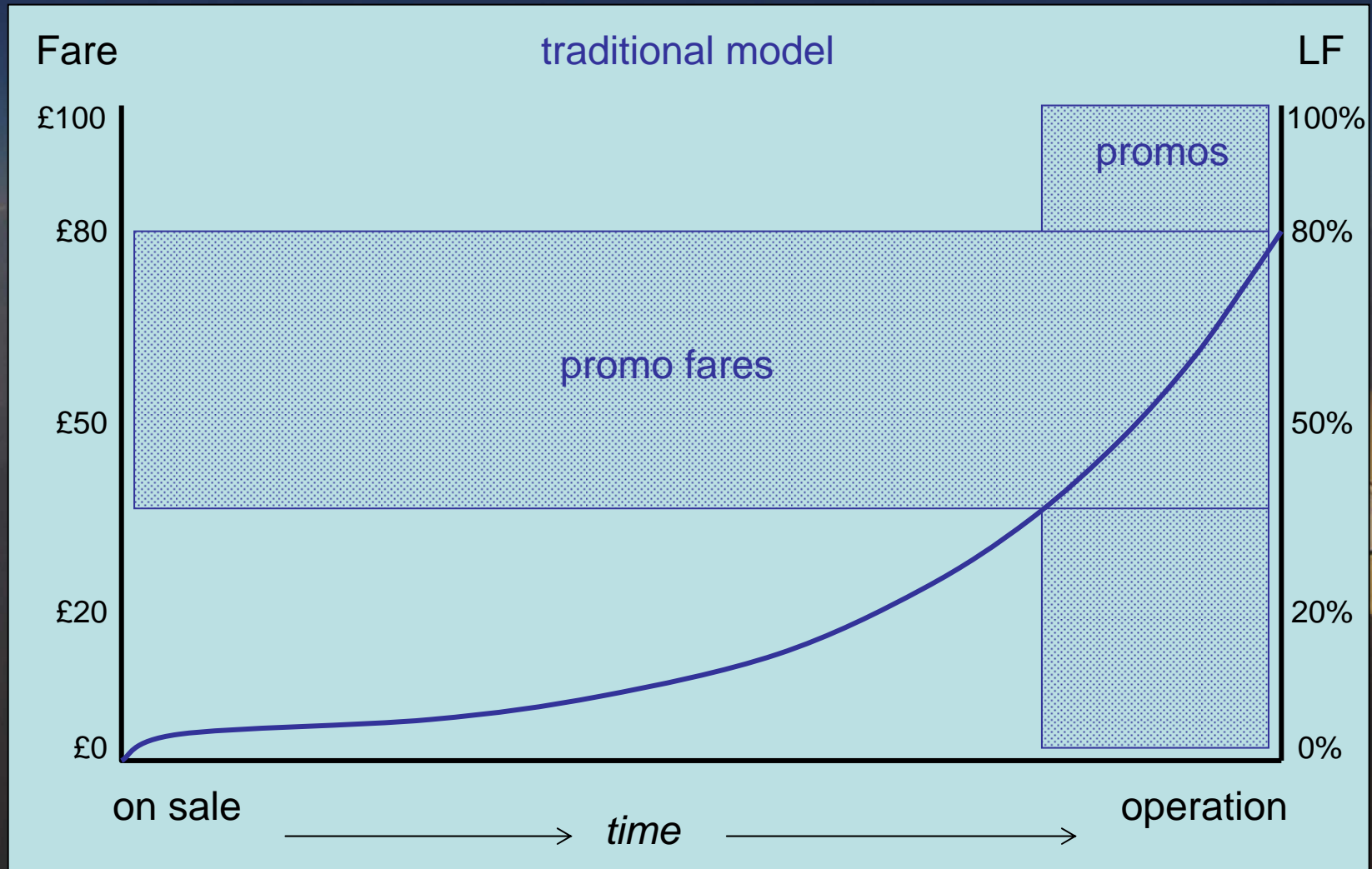
challenge & change

- vs. benchmark & best practice
- absent from certain sectors and companies
- HMV and Jessops
- Ryanair and Easyjet
- Research & Development
- true 'freethinkers'
- do companies allocate enough resources?
- do companies appreciate investment required and potential return on investment?

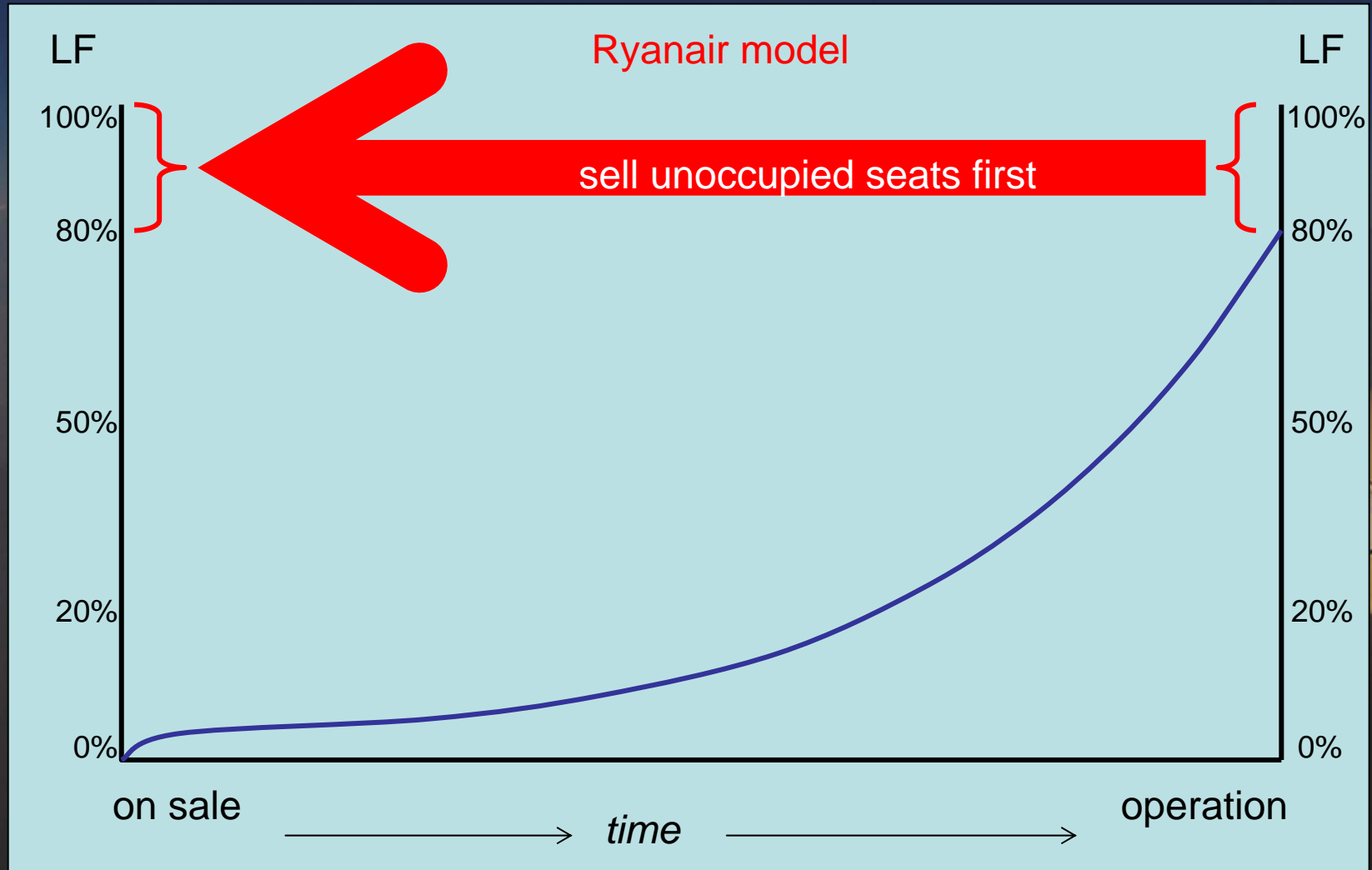
turning sales model on its head

- Ryanair pioneered low cost fares by cost control and challenging existing sales model
- not just online and direct, more importantly:
 - selling 'empty' seats before 'occupied' seats
 - seats analogous to FMCG with shelf life
 - traditional approach is to sell distressed inventory progressively cheaper as approach sell by date, e.g. package hols
 - key was challenging and being prepared to take a risk. Rewards speak for themselves.

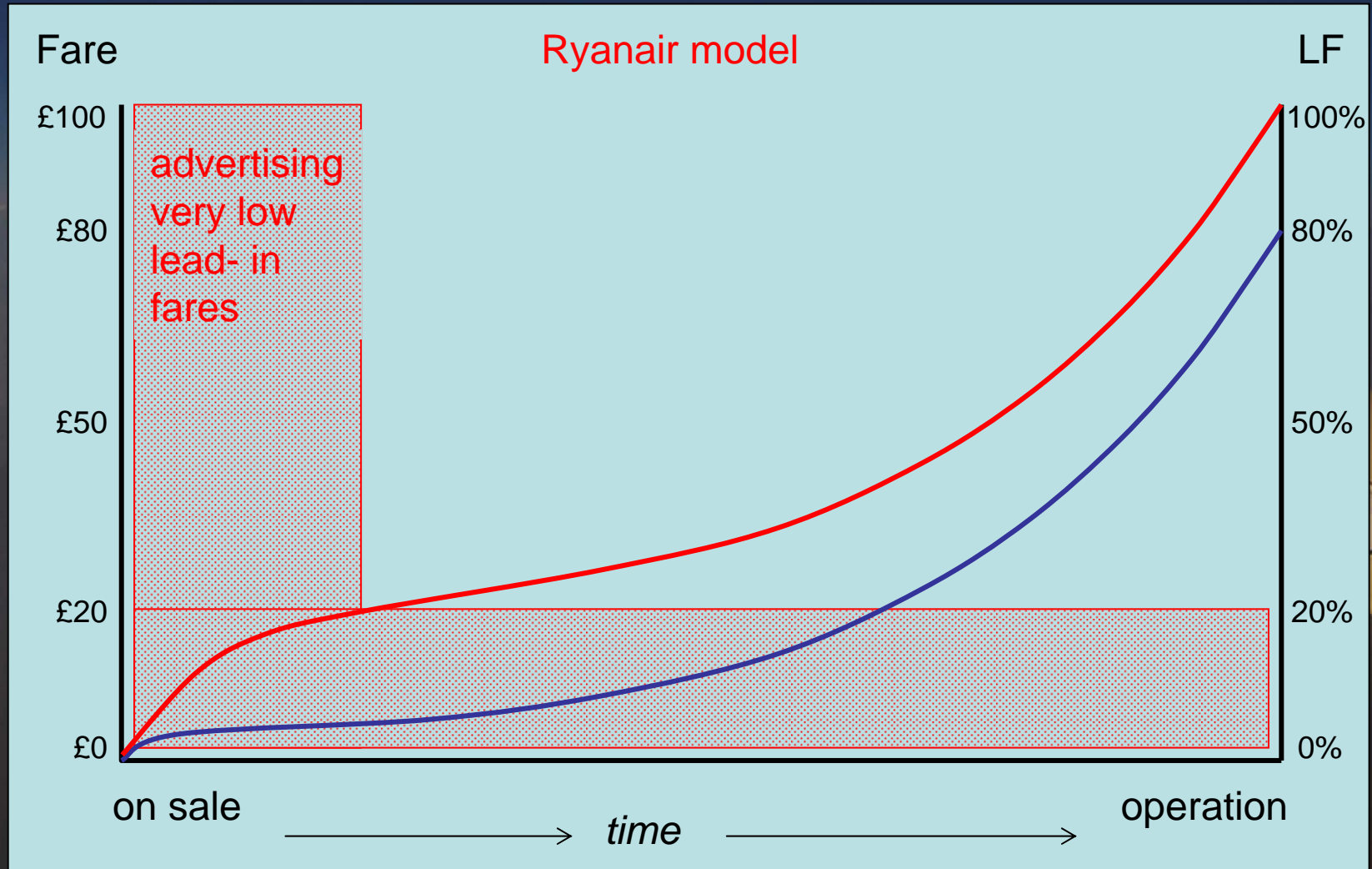
traditional late offers & promos



selling unoccupied seats first



selling empty seats first



turned sales model upside down

some dilution, but benefits include:

- advertising message, 1p fares vs. £40 fares
- consistency of message – buy early
- cash flow
- higher overall LF and revenue per flight
- ability to charge v. high fares late in profile to those who have to travel, e.g. business and deaths
- greater ancillary potential as more passengers

communication

- internal more important than external
- employees shouldn't be the last to hear news
- if told they can communicate for you at coalface
- top down to set an example
- create environment to support bottom up too
- distinguish real issues from the 'free vote'
- communication becomes more important as you grow

customer service

- overused and little understood
- depends on:
 - fundamentals (does what it says on the tin)
 - what you promise, promote and portray (variable)
- its more about Managing Expectation
- Air Asia vs Emirates
- customer complaint letters
- ideal world you under promise and over deliver

what do your customers expect?



managing customer expectation

- define brand, proposition, product
- externally at all customer touch points:
 - advert/email, website, price, pre-flight interaction, check-in, plane external, cabin crew, plane internal, pilot, service, punctuality, baggage, customer relations
- compare again Air Asia vs Emirates
- starts internally: Train, Engrain, quality control
- southwest Airlines:
 - “Shared Goals, Shared Knowledge, Mutual Respect”

how can an SME grow?

- leadership mind-set and skill-set
- management team attributes and attitude
- brand development (challenger brand & competition)
- financial support and control (cost & cash flow)
- invest and believe in ability (challenge & change)
- make sure everybody is on-board internally & externally (communication)
- what are you promising and are you delivering (customer service & quality control)
- do what you do best... get partners for the rest
- strategic partnerships

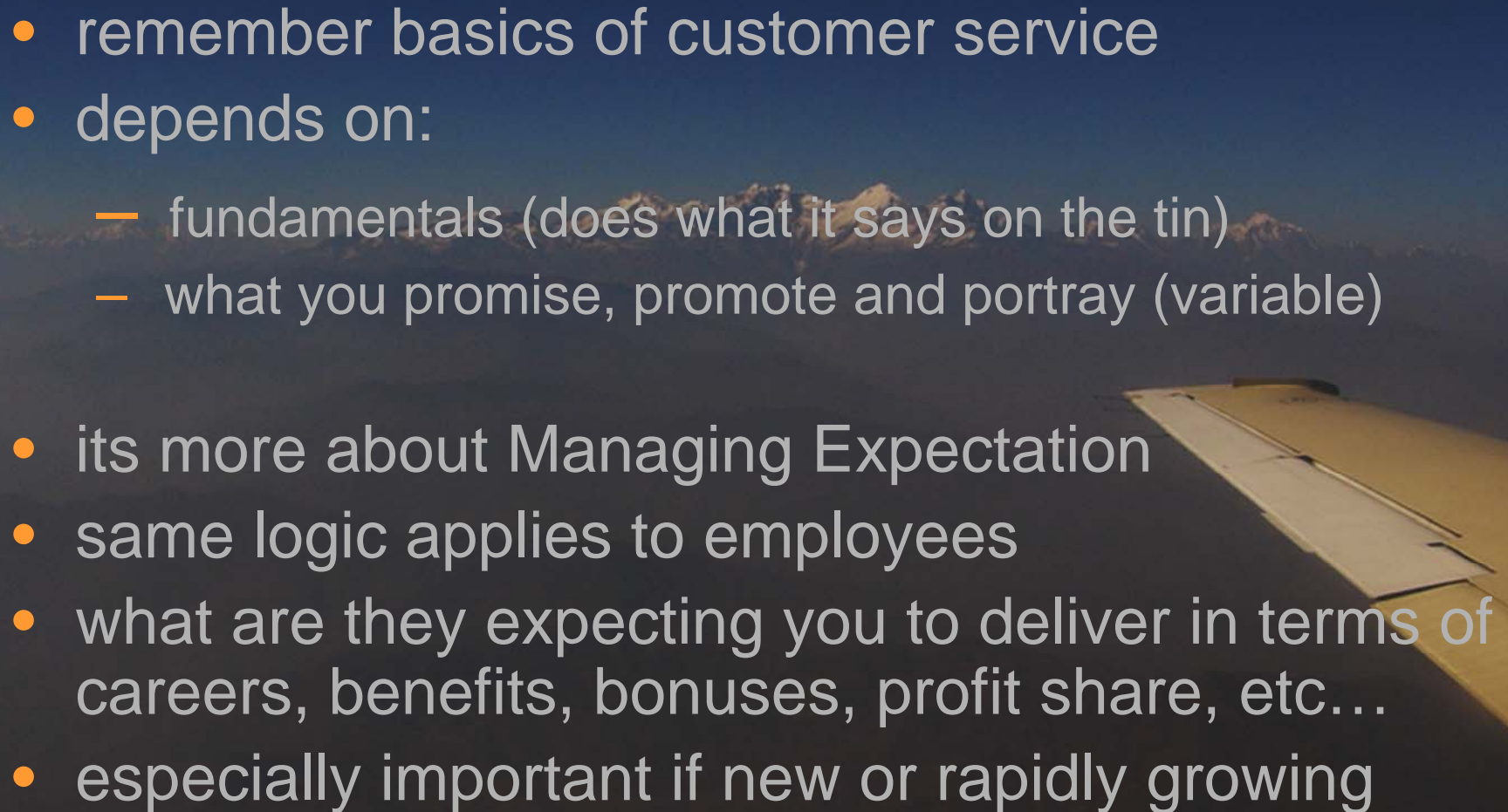
leadership lessons

- passengers, shareholders, and staff
- direct entry vs internal
- letting go if internal
- employing people better than you, especially in your area
- manage interference
- when to macro or micro manage, when to switch
- get strategic help to develop yourself – don't be afraid to ask and learn

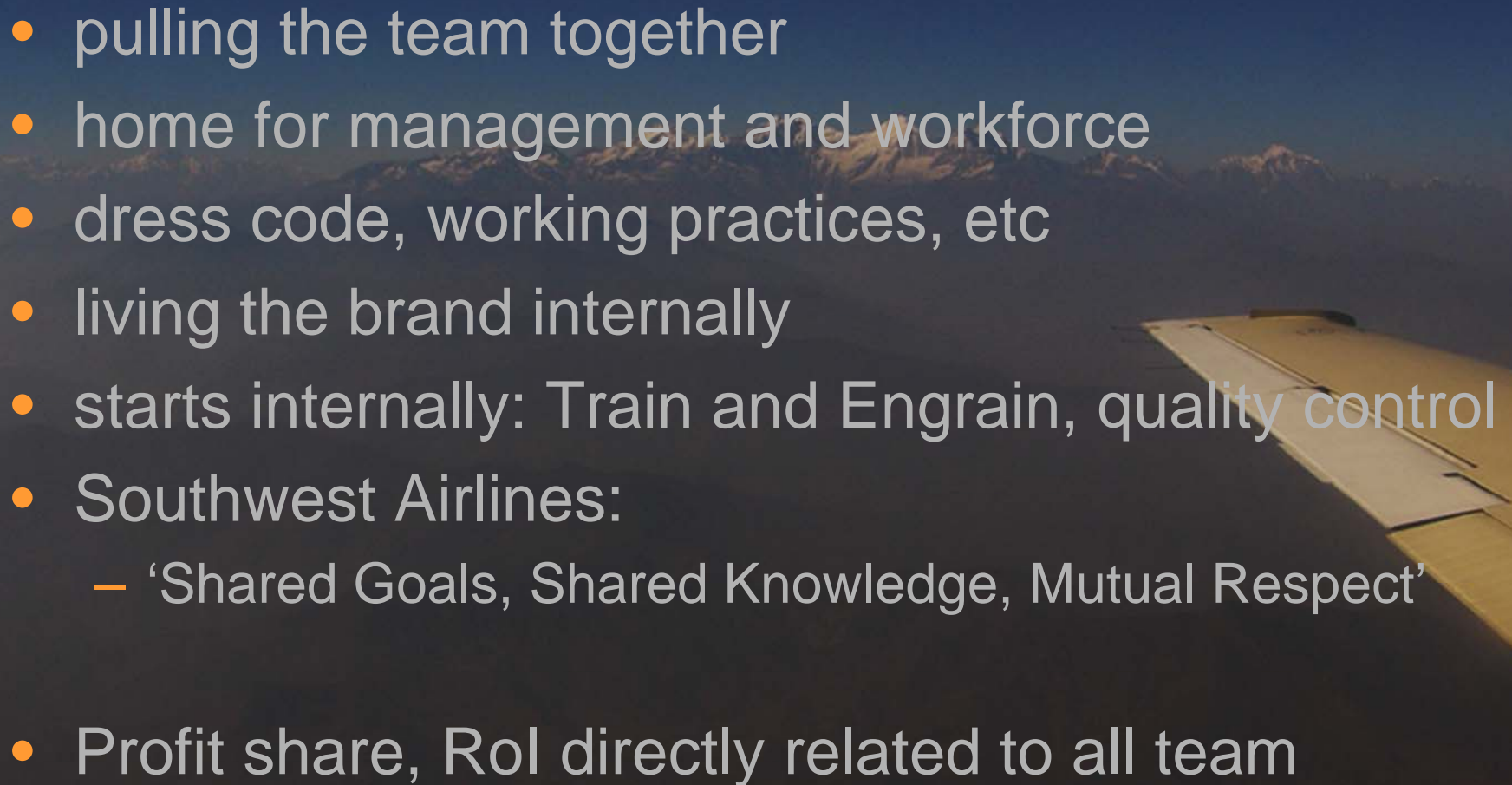
getting the right team

- strategic partners who know what you require
- recruiting the initial team internally
- 9 to 5ers or risk takers?
- reactive or proactive traits?
- switch to proactive with time (challenge & change)
- business growth faster than careers
- external 'ceilings' recruited
- FMCG intelligent naivety

employee 'customer service'

- remember basics of customer service
 - depends on:
 - fundamentals (does what it says on the tin)
 - what you promise, promote and portray (variable)
 - its more about Managing Expectation
 - same logic applies to employees
 - what are they expecting you to deliver in terms of careers, benefits, bonuses, profit share, etc...
 - especially important if new or rapidly growing
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- A photograph of an airplane wing against a blue sky with mountains in the background. The wing is white and extends from the bottom right towards the center. The sky is a deep blue, and the mountains in the distance are silhouetted against a lighter blue sky.

creating the 'environment'

- pulling the team together
 - home for management and workforce
 - dress code, working practices, etc
 - living the brand internally
 - starts internally: Train and Engrain, quality control
 - Southwest Airlines:
 - 'Shared Goals, Shared Knowledge, Mutual Respect'
 - Profit share, RoI directly related to all team
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develop the brand

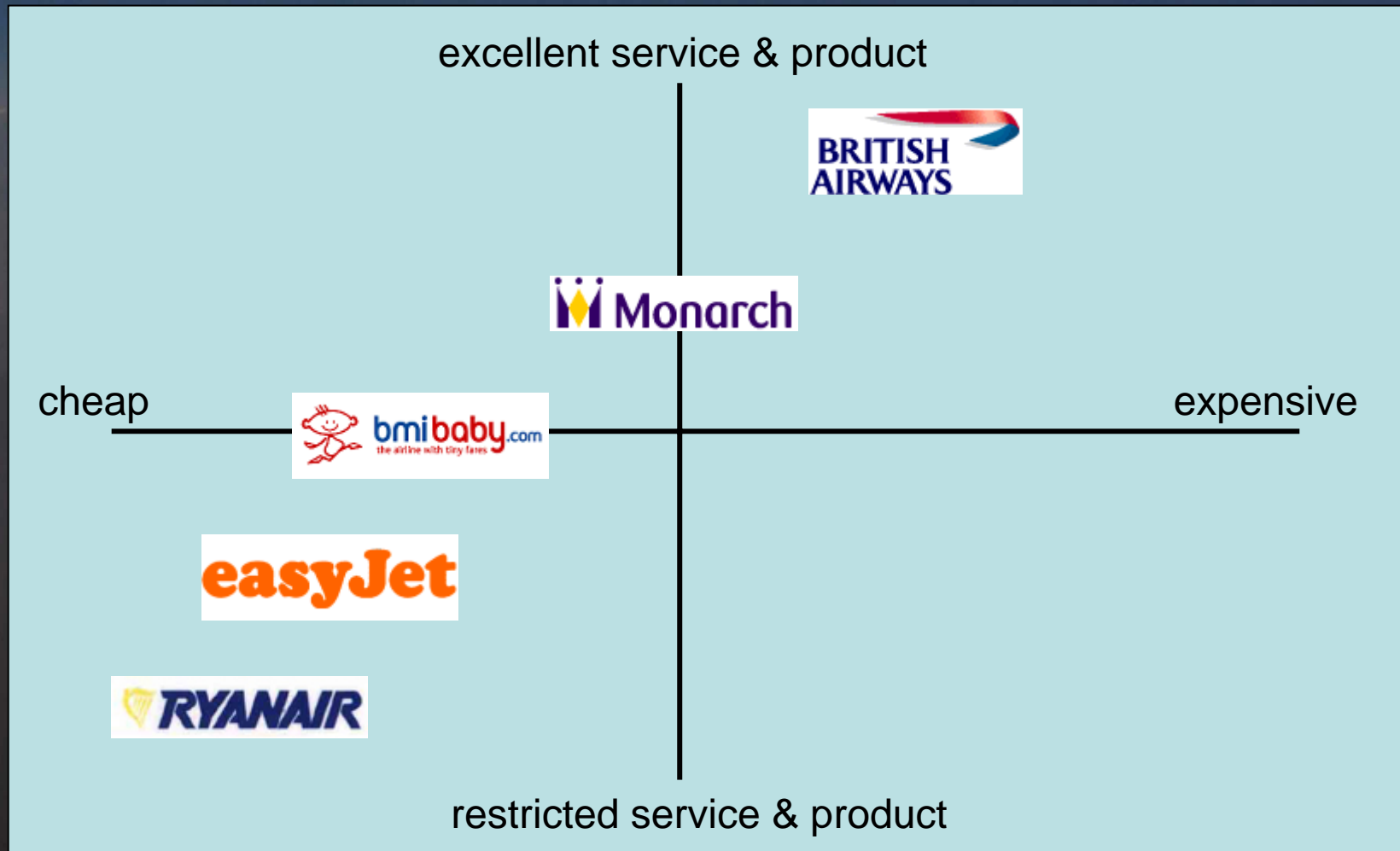
- do you know your brand?
- do you deliver what your brand says?
- are you a challenger brand?
- are you equipped to take brand to new markets?
- is the brand deliverable in new markets?
- is the brand sustainable and expandable?
- do you have the right partners to deliver?
- Air Asia example in UK advertising market

your brand defines customer service

- do you know your brand?
- what does it stand for?
- remember Customer Service...



what they stand for...



do what you do best...

- do what you do best and enjoy
- why are you in business?
- does IT, HR, finance etc... excite you?
- if you want finance advice where do you go?
- if you want a legal advice where do you go?
- don't waste your time learning these when others specialize...

... its easy to get distracted...



...and mistakes can be costly...



... and get partners for the rest

- identify and work with partners who already have skills
- use them as your support 'umbrella' where you have limited experience or desire
- encourage partners to invest and overcome challenges
- challenge suppliers to deliver this to you too
- make sure they perform and use SLA's, RoI, accountability, etc...

summary

- what type of SME are you?
 - intentionally stagnant
 - un-intentionally stagnant
 - intermediary phase
 - how do you progress?
 - focus on 7 C's
 - leadership mind-set and skill-set
 - management team attributes and attitude
 - brand development (challenger brand & competition)
 - financial support and control (cost & cash flow)
 - invest and believe in ability (challenge & change)
 - make sure everybody is on-board internally & externally (communication)
 - what are you promising and delivering (customer service & quality control)
 - do what you do best... and find partners for the rest
 - strategic partnerships
 - will you get there???
 - I hope so... we did !
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