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FEBRUARY 2012

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Flybe and Finnair Form New Nordic Airline

by Ramsey Qubein



In the airline world, the real estate industry mantra 'location, location, location' is equally valid. And Finnair (IATA: AY—Airways, July 2006 & April 2005) is one airline that takes full advantage of its Nordic position to connect Europe and North America with a growing number of Asian destinations. Its strategic position in this transfer market has been further strengthened with the recent addition of Chongqing, China, to its network, marking the Finnish flag-carrier's 11th destination on the Asian continent, and making it the first European airline to serve that growing Chinese metropolis.

Since 1999, the airline has capitalized on its geographic advantage, and developed this niche into its most profitable segment of business. Currently, Finnair has plans to double its Asian revenue by 2020. To further build this connecting traffic, Finnair has entered into a joint venture with British airline Flybe, which will absorb FinnComm (Finnish Commuter Airlines; FC—*Airways*, June 2007) into the fold as part of the process.

Flybe's Finnish branch, officially known as Flybe Nordic, will be marketed as Flybe with domestic and regional flights that feed into Finnair's international route network, while also developing a strong regional map of high-frequency hub and point-to-point flights. Flybe will operate the flights with a fleet of 15 leased ATR turboprop-twins sourced from FinnComm, whose extensive domestic network of small-to-medium-size cities were too small for Finnair's existing fleet of Embraer regional jets aircraft to operate profitably. Not only will this strengthen Finnair's domestic-to-international feed, but it will also propel the flag carrier's international brand presence to a host of smaller cities within the country.

Flybe Nordic's goal is to become the largest and most profitable airline in the Nordic and Baltic region. This comes at a time when



Flybe Nordic will take over Finncomm's ATR fleet, which was sold—along with a 20% shareholding of Finncomm—to Finnair in 2010.



Finnair's 100-seat ERJ 190s offer too much capacity for many Finnish domestic routes.

other small airlines with similar aspirations have suffered economic stress, including the now-defunct FlyLAL of Lithuania and Latvia's Air Baltic. Flybe Nordic believes that the partnership with Finnair will give it an extra edge to succeed in a region where others have floundered.

Finnair has a lot to gain too, but it is a two-way street. Flybe believes that Finland offers a relatively untapped market with high potential. The Finnish have a strong propensity for travel, and Nordic airlines have the added bonus that their region's geography encompasses large areas of water and often few, if any, road or rail connections, thereby making air travel more of a necessity than elsewhere in Europe.

Flybe will not only lease FinnComm's aircraft, it will also adopt the latter's in-flight service model, and inherit all of its employees and lower cost structure. By mixing Flybe's business savvy with Finnair's loyalty program and intercontinental network muscle, Flybe Nordic is on a track to success.

The goal is to stimulate the market by attracting more passengers thanks to competitive fares—many beginning as low as €39 (\$53)—and a high-profile brand including amenities such as lounge access and assigned seating. Flybe's existing *à la carte* pricing model will be continued in Finland with 'Flybe Economy' (lowest fare with fee-based services added), 'Economy Plus' (offering lounge access and ticket flexibility), and 'Flybe Essentials' (a bundled product still under consideration offering *à la carte* selection of services to meet the growing demand of cost-sensitive business travellers).

Finnair's uncongested Vantaa Airport offers connections as short as an hour between flights. In addition to feeding Finnair's Helsinki hub, Flybe will also offer high-frequency service between certain regional airports meant to stimulate business travel in what would be Finland's first regional point-to-point network.

The joint venture is 60% Flybe and 40% Finnair. Half of the operation will be contract flying with the other half operating at-risk. The route network will expand across the region including destinations in Denmark, Norway, Sweden, Finland, Estonia, Latvia, and Lithuania.

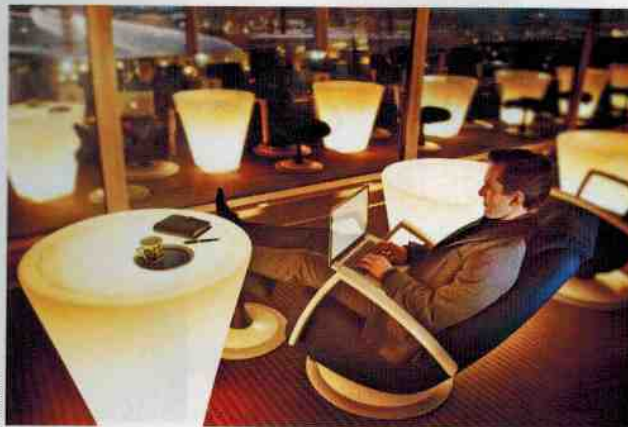
While FinnComm currently flies many point-to-point services, Flybe Nordic will expand the network. All existing FinnComm routes will be maintained although frequencies

will be increased, including Kittilä–Tampere [Tammerfors], Kittilä–Turku [Åbo], and Kuusamo–Tampere. In addition, nine new routes will join the network including Helsinki to Trondheim, Umeå, and Mariehamn [Maarianhamina], and Tallinn to Tampere, Turku, Oulu [Uleåborg], Vaasa [Vasa], and Stockholm (Bromma).

Finnair positions itself as a 'boutique' airline because it serves a particular niche that focuses primarily on carrying connecting traffic with the shortest flight and connecting times from North America and Europe to Asia. Helsinki is often overflowed by other European airlines serving Asia, so it makes sense that passengers would make a connection there rather than backtrack to larger and more congested hubs such as Frankfurt, Paris, or London. This allows the airline to gain a competitive advantage while also touting the environmental benefits of minimizing the time that aircraft (and passengers) spend in the air.

The airline has also launched a new initiative titled 'Peace of Mind' to cater to the high level of hospitality expected by its customers (especially those in Asia accustomed to exceptionally good standards of service). This program includes an increased focus on training for employees to better handle the customer in-flight and on the ground, dedicated employees at check-in (initially called 'HEL's Angels', now known as 'Service Angels') to help harried travellers when they first enter the airport, as well as a health spa and sauna inviting guests to relax during their stopover.

Flybe is Europe's largest regional airline and the UK's largest domestic airline, giving it the experience essential to operate a sophisticated route network. Now, in conjunction with Finnair, Flybe's industry expertise is being put to the test with this venture that seems certain to boost Finnair's profitability as well as its reputation in the convenient corridor between West and East. ➔



Helsinki-Vantaa is a convenient and efficient airport for transit passengers.