

Identifying and Developing New Market Opportunities

Network Management Perspective

Cairo, 6th of November, 2006



Lufthansa Consulting

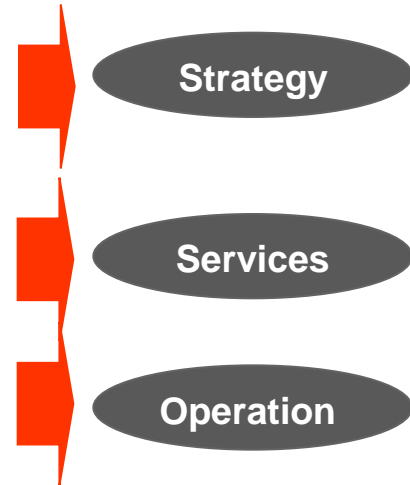
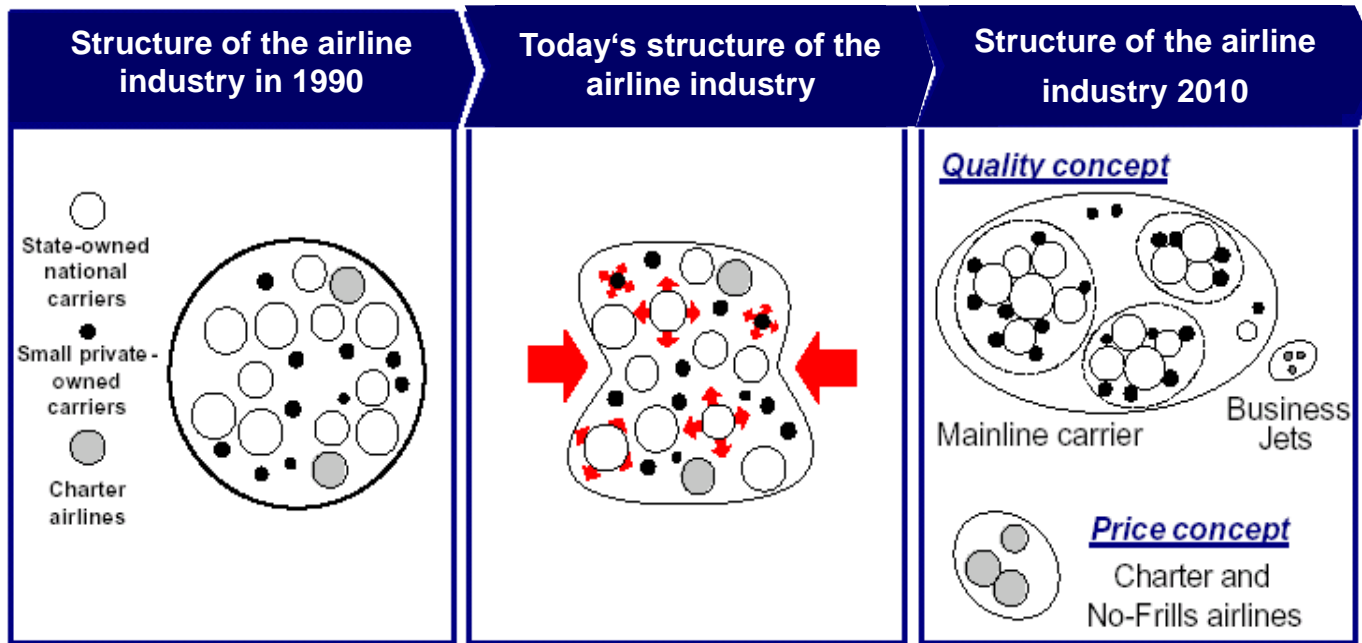
Agenda

1. Network Management Process

- Identifying New Market Opportunities
- Developing New Market Opportunities

2. Connection Potential within Africa

Airlines and airports have to adapt to the change forces that are shaping today's aviation industry



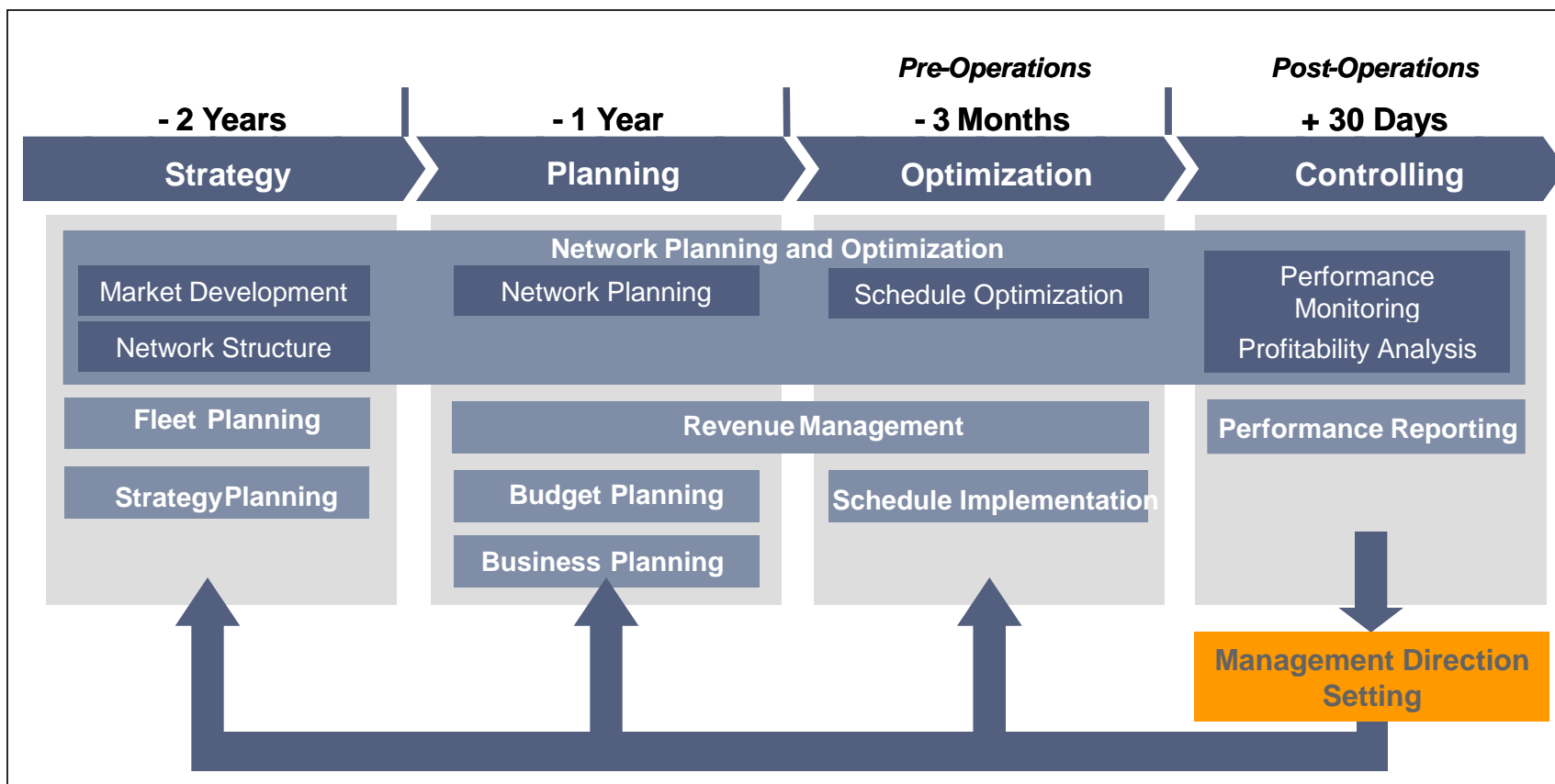
Source: Lufthansa Consulting

National airlines and
- smaller – private carrier

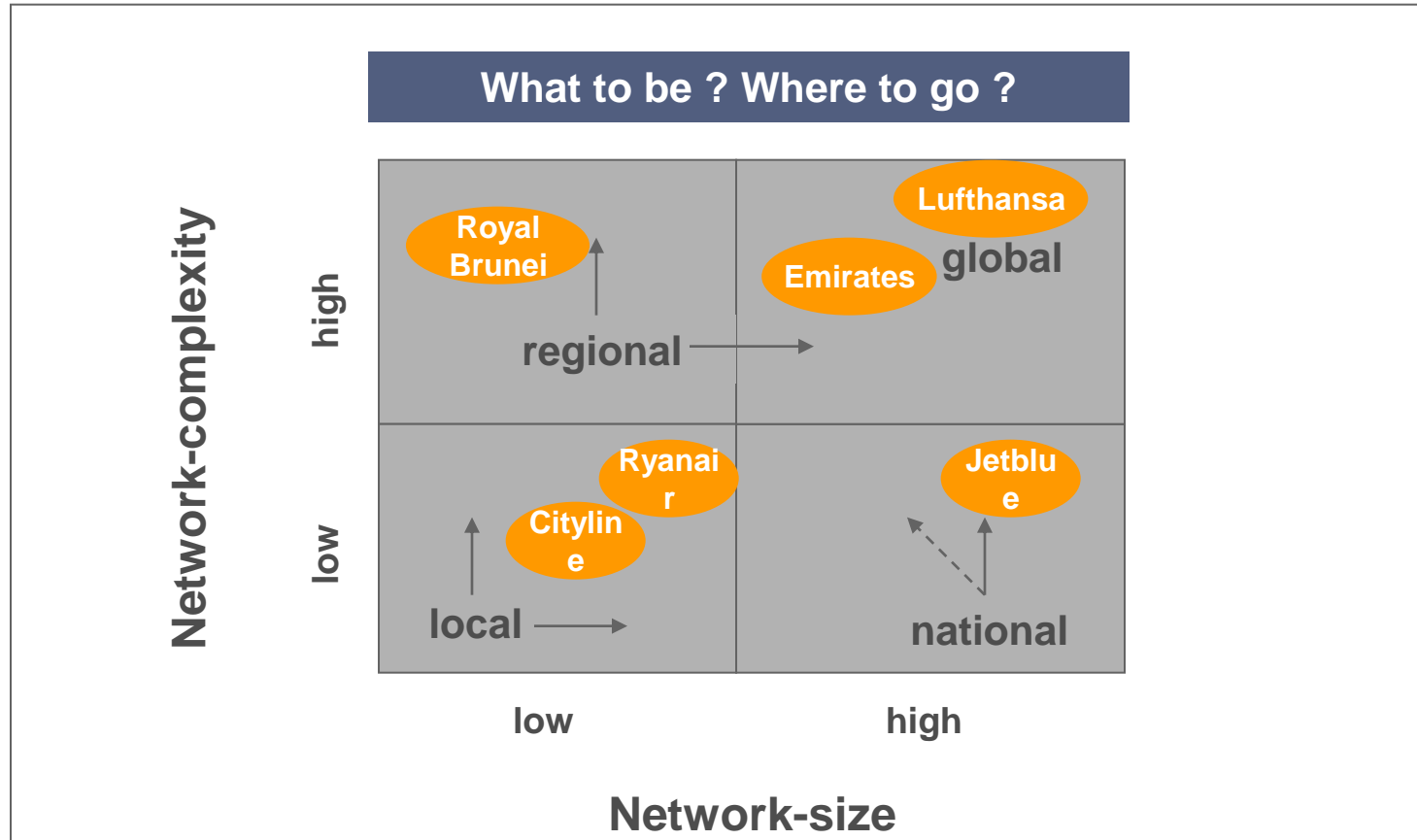
Significant pressure
in the middle

A clear positioning
is becoming essential

Identification of New Market Opportunities is part of Strategy and Planning phases of Network Management process



Multiple strategic alternatives must be evaluated to narrow down the list of potential new market opportunities



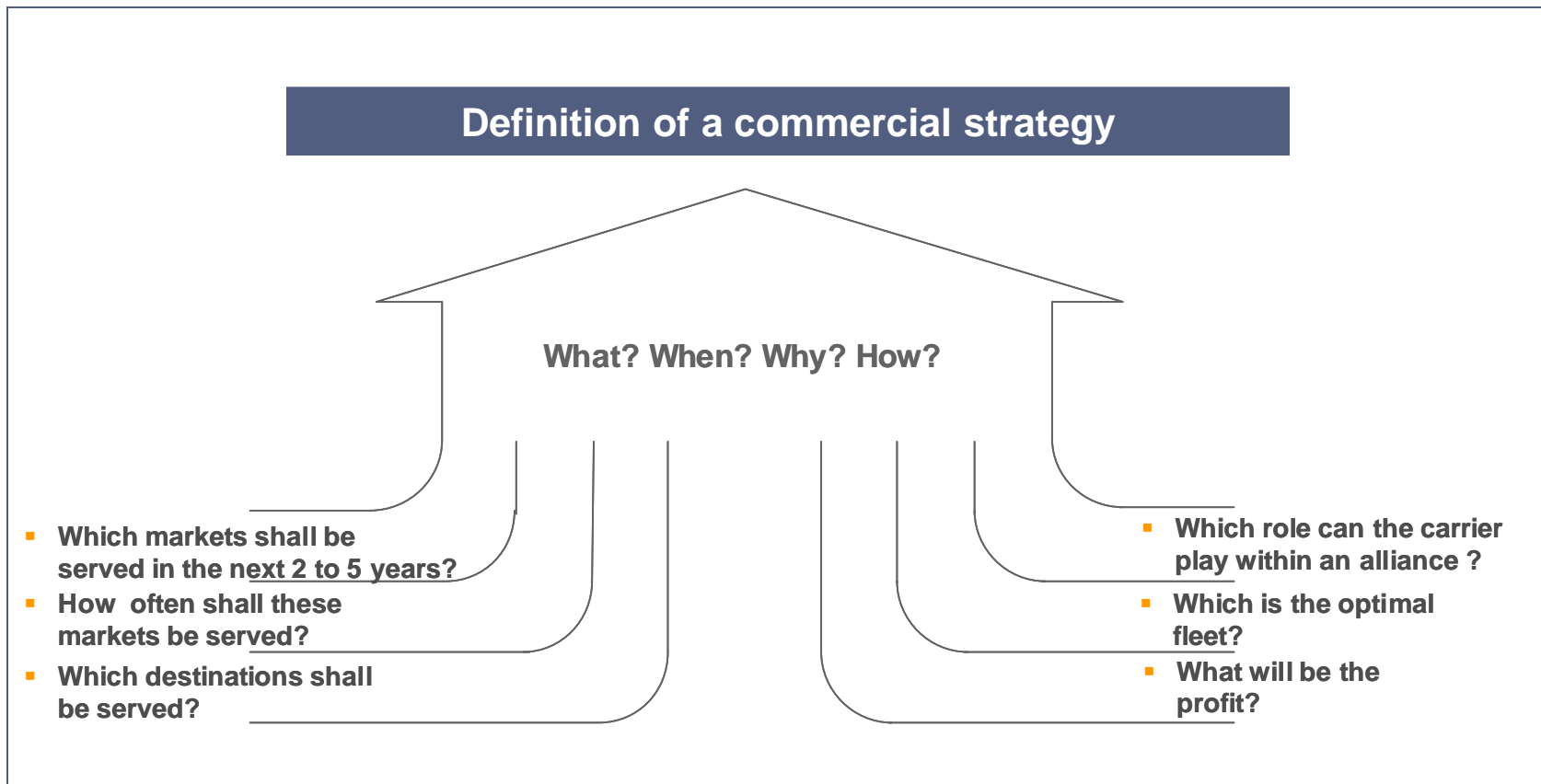
Strategy

Planning

Optimization

Controlling

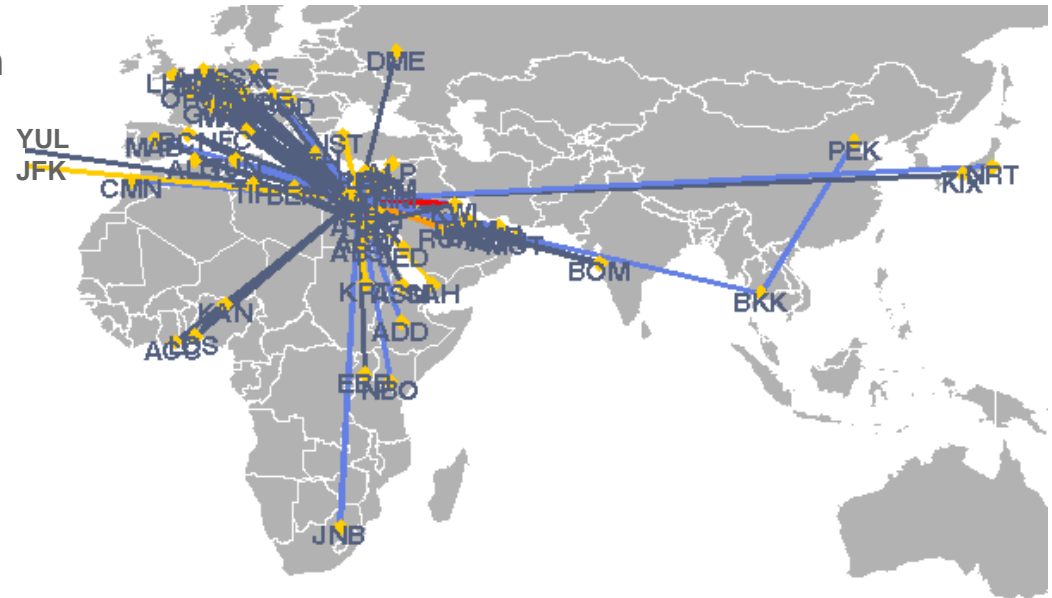
Developing a commercial strategy implies answering essential questions



Detailed market analysis is a basis for identifying and developing new market opportunities

- Macro Economic analysis
 - Analysis of the markets in question
 - Growth factors
 - future potential forecast
- Current passenger flows
- Route Profitability
 - Adjustment of Network Controlling model

Egypt Air Passenger Network in Summer 206



Source: OAG week 32, 2006



Passenger analysis is required to be able to satisfy the market

□ Market segmentation

- Passenger origin analysis
- Reason for travel
- Identification of target customers
- Who are your possible passengers?
- Is that your goal?

□ Passenger preferences

- Are they price or time sensitive?
- What is their favorite airline?
- Does the equipment play a role?
- Which Hub do they want to fly to?

ORIG	DEST	PAX
BWI	LON	342
LON	BWI	285
BWI	PAR	285
PAR	BWI	271
BWI	FRA	271
FRA	BWI	269



Passenger analysis leads to catchment area definition

□ Competition

- Who are the competitors?
- What do they offer?
- What is their Network like?
- What is their Market Share?
- What is their passenger profile?
- What are the possible reactions of competitors?

□ Catchment area analysis

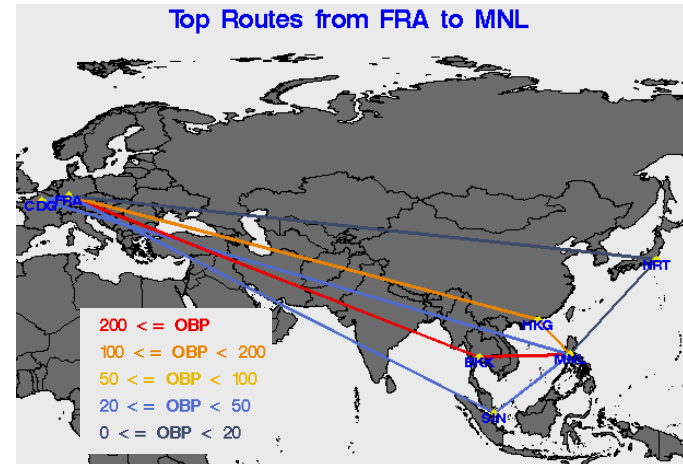
- Analysis of the overlapping catchment areas
- Traffic analysis (road and rail network)
- Catchment area correction factors for demand analysis



Not all the markets are equal in Network Planning

- O&D Market Sizes
 - Evaluation of the market sizes for the new and current pre-defined markets
 - Possible share of the market

- Prioritisation of O&D's
 - Priority according to Market Potential and Reachability
 - Actual Market Shares and own Market Position
 - Revenue Potential vs. Cost Position



Strategy

Planning

Optimization

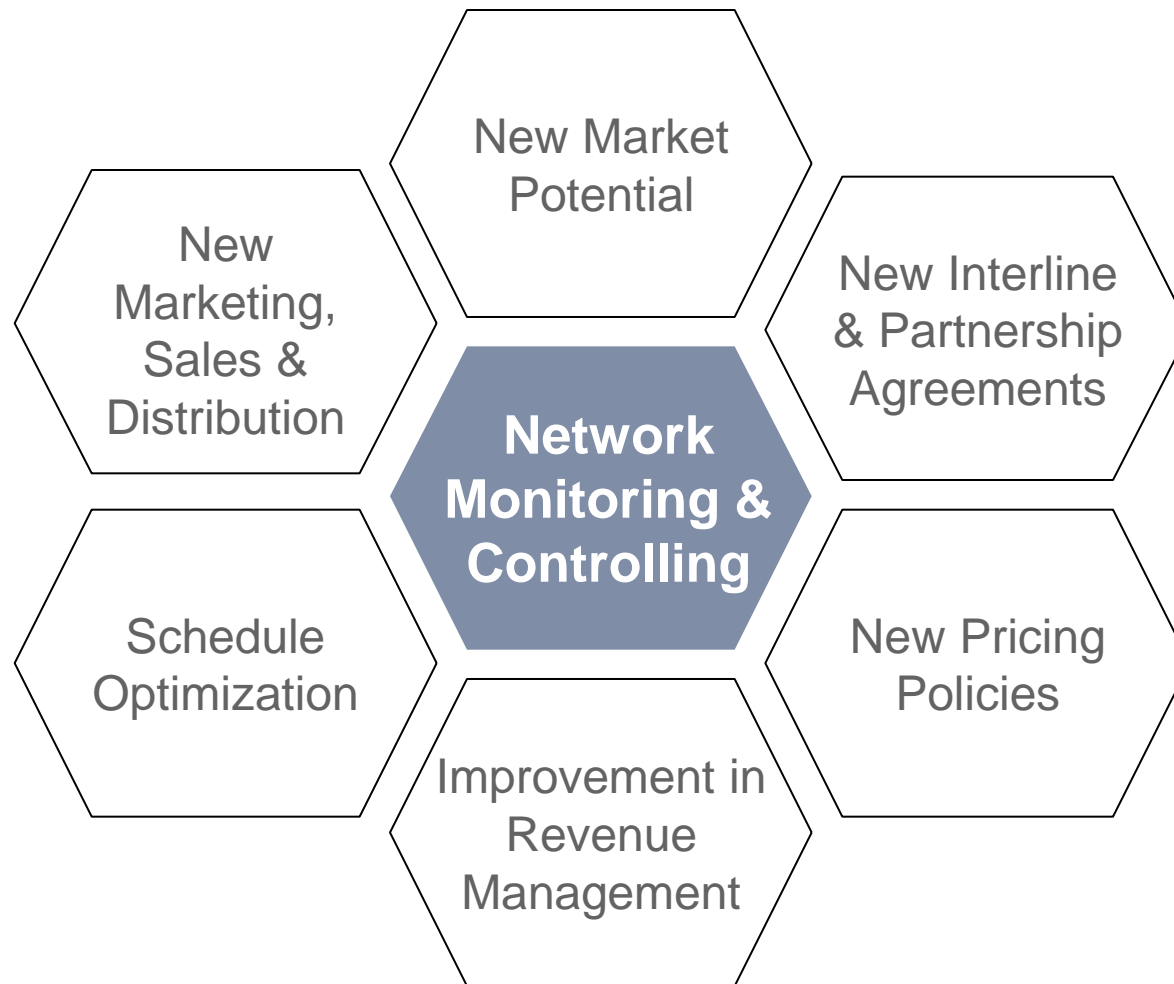
Controlling

The optimization process implies short-term tactical actions

- Schedule Adjustments Prior to Implementation
 - Adjustments to capacity allocations, usually within fleet-type, to improve accommodation of passengers and fleet utilization
 - Supports revenue management optimization
- Revenue Management
 - Fill-up the flight with the highest yield passengers
 - Optimize capacity to match demand
- Implementation
 - Crews in place
 - Schedule Operations - Tail Assignment
 - Aircraft Routings



Network Monitoring & Controlling provides important feedback on where to seek and develop new markets



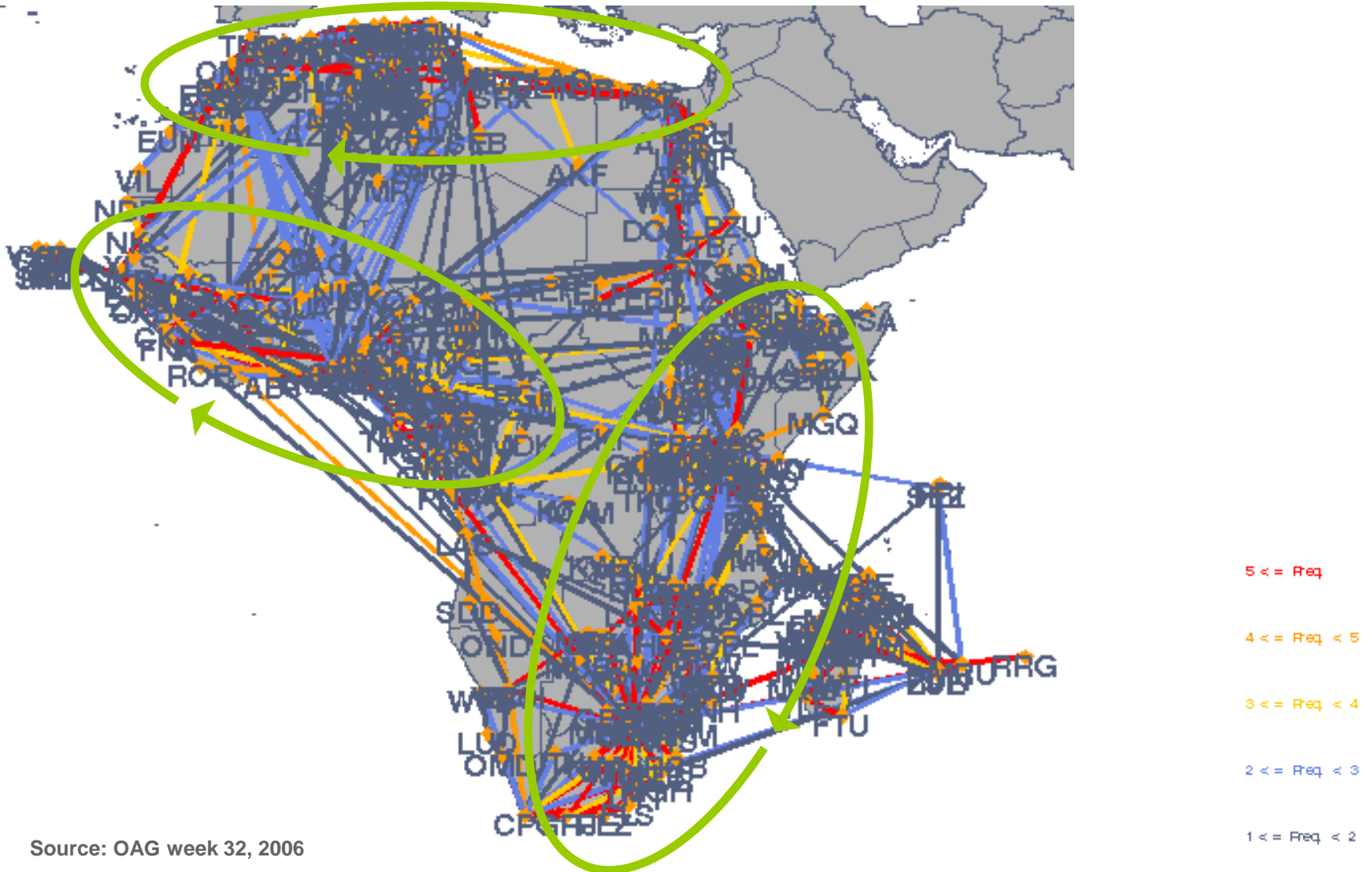
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2. Growing Connection Potential within Africa

The African market is characterized by three regional clusters: North, West and South-East



Source: OAG week 32, 2006

How to maximize connection potential in the African markets (excluding international markets)

- The African continent territory offers significant unrealized potential for growing the connection markets
 - More flexibility to the customer by with more choices
 - The consumers will ALWAYS choose a product that fits into their schedule
 - The growth in corporate and business aviation in Africa indicates this potential
- There are many “low-density” markets
- Passengers have to fly from one place in Africa to another via Europe

Planning connection product for an African carrier

The key planning elements should consist of the following:

- Most attractive connection hubs in terms of geography, demographics and airport management support.
- Decision making on strategic connection hubs based on a business model
- Structure the schedule into most efficient banks for the airports

Further important criteria for selecting a potential strategic connection hub in Africa

- The number of available connections goes with the square of the number of frequencies offered at an airport
- A potential strategic connection hub has to have a large enough catchment area
- In Africa, Western African region is situated advantageously
- The best connection hub has to offer a winning combination of geography and catchment areas.

Rolling out connection product in Africa

- Three key implementation elements:
 - Implement and support the new procedures to handle the connection product
 - Develop new management information and operational reports
 - Plan and launch aggressive distribution, marketing and promotion activities

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