

MULTI BRANDING SELLING IN THE AIRLINE INDUSTRY
THE ORGANIZATION OF A SALES DEPARTMENT IN A
MULTI-BRANDING ENVIRONMENT APPLIED TO IAG GROUP

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**"Those who cannot change their minds cannot change anything" -
George Bernard Shaw**

**"We preserve what we love. We love what we understand. We
understand what we learn." – Tibetan Proverb**

ABSTRACT

In a globalized world, the aviation industry has taken the ultimate importance for the movement and the progress in the planet. People, business, families depend on their capability to move from one place to another in the shortest time frame possible.

The aviation management had to move forward as airlines passed from governmental owned companies to private shareholders hands. Costs structures had to change, while competition increased as Low Cost Carriers (LCC) appeared in the market. Airlines had to adapt to lower prices and flying became more affordable for people in all corners of the world. Mergers, acquisitions and joint ventures became the ultimate form of survival.

Though, many of these carriers are still the cultural image of their home based countries and also many times the largest exporter companies of these markets.

As mergers happened among airlines in Europe, commercial teams had to adapt, and sales teams became multi-brand teams, they had to stop being only one brand sellers despite the heavy cultural value each brand has.

In an industry that for decades did not have significant changes, having very conservative sales teams, recently a strong transformation happened, in a very short time period, and adaptation became a key factor for the survival of the new sales people.

In IAG (International Airlines Group) this adaptation happened as the group was formed by two of the most important carriers in Europe, British Airways and Iberia, while at the same time Low Cost Carrier, Vueling, also became part of the holding. Therefore, sales teams all around the world needed to be reorganized and prepared for a multi-branding environment.

Keywords: Multi Branding Selling, Mergers, Brands and Cultures, European Aviation Industry

RESUMO

Num mundo cada vez mais globalizado, a indústria da aviação civil tornou-se essencial para os movimentos e o progresso no planeta. Pessoas, empresas, famílias dependem da sua capacidade de deslocação de um sitio para outro o mais rapidamente possível.

Os gestores da aviação tiveram que andar para a frente à medida que as companhias aéreas passaram de empresas públicas para as mãos de acionistas privados. As estruturas de custos tiveram de mudar, enquanto simultaneamente as empresas Low Cost apareciam no mercado. As companhias aéreas tiveram de se adaptar a preços baixos e voar ficou mais acessível para pessoas em todos os cantos do mundo. Fusões, aquisições e negócios conjuntos tornaram-se formas essenciais para a sobrevivência.

Ainda assim, várias destas companhias continuam a ser a imagem cultural dos seus países de origem, sendo também muitas vezes as principais empresas exportadoras desses mercados.

À medida que as companhias europeias se fundiam, os departamentos comerciais tiveram de se readaptar, enquanto as equipas de vendas se converteram em equipas multimarcas, deixando de ser só meros vendedores de uma única marca, apesar do forte componente cultural que caracteriza cada uma.

Numa indústria que durante décadas nunca sofreu alterações significativas, tendo equipas comerciais muito conservadoras, viveu-se recentemente uma forte transformação num curto período de tempo, durante o qual a adaptação se tornou um factor chave para a sobrevivência das equipas de vendas.

Na IAG (International Airlines Group) a adaptação aconteceu quando o grupo se formou com a junção de duas das mais importantes companhias europeias, British Airways e Iberia, enquanto a Low Cost, Vueling, também se tornava membro do grupo. Como consequência, as equipas de vendas em todo o mundo tiveram de ser reorganizadas e preparadas para um ambiente multimarcas.

Palavras-Chave: Vendas Multimarcas, Fusões, Marcas e Culturas, Industria Europeia de Aviação.

1. Theme and Presentation of the Case

Talking about commercial aviation is always a controversial issue especially when the theme is about legacy carriers. Legacy carriers are brands like TAP, Iberia, British Airways, Air France, KLM, Lufthansa, Swiss, American Airlines and so many others that exist throughout the world. These brands are not only the names of companies, but are also an important asset to any country. They represent a culture across the world, they reinforce the perspective the world has about a country and its people, and they usually are the main exporter companies these countries have. It is therefore very hard to come into agreement when issues about these companies are brought into discussion. Though, with governments unable to correctly manage such companies, the survival has been made with privatizations, and new management teams have found their ways to development by creating mergers with sustainable competitors.

This case will be to IAG (International Airlines Group) which is composed by British Airways (BA), Iberia (IB) and its Low Cost Carrier (LCC) Vueling. The other two groups in focus will be Air France (AF)/ KLM with its LCC Transavia, and Group Lufthansa composed by Lufthansa, Swiss, Austrian Airlines, SN Brussels and also its LCC Germanwings which is at moment being transformed into Eurowings. The three groups have great similarity in its operations by detaining strong brands and legacy carriers to operate more and more long haul flights and have created LCC to be able to compete with European LCC such as Ryanair and Easyjet, which stand alone with their brands, and being able to feed their hubs from different parts of Europe in a competitive way.

These mergers or acquisitions have created the need of reorganizing commercial departments all over the world. These groups have local teams in almost every country they fly into, or at least in those markets where most revenue is generated. In this practical case the focus will be to reorganize IAG (International Airline Group) and this new organization could be applied to both home market and sixth freedom markets. Home market is the market where the company's hub is established. The hub is the airport platform where the carrier has its main operations. For example, the home markets for IAG is the United Kingdom and Spain, and the hubs are London Heathrow and Gatwick for BA, Madrid for Iberia and Barcelona for Vueling. For AF/KLM, is France or The Netherlands their home markets, and the hub

airports are Charles de Gaulle and Amsterdam. For TAP its hub is Lisbon and therefore its home market is Portugal. It is therefore obvious who should take the commercial lead in each market when referring to a home market, due to the structure each carrier has and the already established headquarters and different departments at the home market of each carrier. There is no other company that should take the commercial lead in Portugal except for TAP. This case, will analyze how IAG's sales teams should communicate and interact with the different departments of each carrier, in home markets and all other markets. All the groups want to be the ones that create the best relations with corporate clients, distribution channels (Travel Agencies) and the market in general.

IAG is a holding that owns at the moment three airlines: British Airways, Iberia and Vueling. Within this merge each airline has maintained its brand, home market and hub, focused in its most important routes while working together with its partner brands. For this reason commercial departments all over the world had to be restructured and an ideal multi branding team had to be created in each region. In Latin America, Portugal and Spain Iberia took the lead of representing British Airways. In North America, UK, Asia and all other European countries it was British Airways which took the lead to represent Iberia. Though, in the case the European market will be the focus. In Spain and Portugal due to the strength of Iberia it made sense for this carrier to take the lead. In all other countries it was also a question of the financial situation Iberia was going through and the impossibility due to the viability of the airline to take any more costs into its structure. Since it was clear which airline would continue to work commercially, what happened was that the carrier that took the lead made small restructures in their teams, integrated a few members of the other carrier and from there on the teams were established. A very basic and low cost way of structuring a new commercial team. As for Vueling it continues to have a completely different commercial structure which interacts in a very basic way with the rest of the IAG commercial team (Except for Italy where commercial teams have had a clear instruction to also represent this brand).

After answering the questions presented in the case **the objective** will be for the group of students to be able to have a clear view of the interaction commercial area has with other departments and to being able to build a new multi brand sales team, by understanding the importance of restructuring a department when mergers are made and the difference between working for one single brand in the airline business or working

for several brands. Students and teachers who apply the case will be able to understand the dynamics of the aviation commercial departments.

The organization of any sales team is one of the most challenging points of any corporate. The sales team is the basic structure for targets and objectives to be accomplished. This is a subject that is already complicated in any single product organization. When you have to organize a commercial department that sells more than one brand and where these brands represent profoundly a culture of a country, and have completely different structures (they are still different companies), this becomes quite a complex issue.

As mentioned before when discussing commercial aviation with focus in legacy carriers the subject could bring lots of emotion into the table because of the link these carriers have to their countries, cultures and people. Also, organizations of commercial departments have always been one of the main issues in sales management. Without the proper organization the whole focus of a company could be lost. Therefore, it is necessary to focus on six important points when restructuring IAG. The questions made to the students in this business case will be related to the following subjects:

- 1 – Brands and Cultures in the aviation industry especially in the European Market;
- 2 – Organization of the Sales Team; Portfolio division inside IAG;
- 3 – Profile, Skills and Roles of Account Managers;
- 4 – Functional Teams and Interaction between departments;
- 5 – Customer Relationship Management and Sales Automated Tools;
- 6 – The Role of Training and Development.

These are the six points that need to be analyzed and worked in order to solve this case. Literature Review about each topic will be presented and applied. At the end the case will be solved with a new multi-branding commercial team created for an efficient sales department.

1.1. Analysis of the Market

1.1.1. The Aviation Industry

Lots of inventions have changed the world. The invention of airplanes had a very strong impact in globalization, in the economy and in other companies. Globalization and the global expectations many corporates have, were possible because of the aviation industry. Companies cannot go global without getting their people into an airplane. After World War II the first commercial routes were set up in Europe. At the beginning it was an expensive way of travel, but over time airplane travel has become more and more common and now a days it is hard to imagine a world without it. Therefore, the airline industry has been one of those that has certainly changed in the last decades, while commercial teams were maintained steady. It has also altered the way corporates conduct business by shortening travel time and altering our concept of distance, making it possible for us to visit and conduct business in places once considered remote.

The airline industry is one of the most competitive markets. In the last years Low Costs Carriers have penetrated market and conquered a lot of market share to well establish and “monsters” of the industry. So what is the difference between a Legacy Carrier and a LCC?

The Legacy Carriers are the ones that usually provide a group of high value and added services. They usually offer a variety of cabins such as First, Business, Economy Plus and Economy. But even in economy cabins a service of food and beverage is usually served. Legacy carriers also present frequent flyer programs, offer airport lounge services and are usually members of alliances. The three main alliance worldwide are Sky Team to which group AF/KLM belongs to, Star Alliance to which Group Lufthansa belongs to, and Oneworld to which BA/IB belong to. In Europe these legacy carriers were for a long time governmental owned but with time and competition being so aggressive they had to group up to gain synergies and be more competitive. Still their brands are highly connected to the countries cultures and people.

LCC are also known as discount or budget carriers. Its main characteristics are providing a service charging lower fares but also offering fewer services. In order to make up for the low fares these carriers usually charge aside

services that are included in the legacy's fares. As an example there is pre seating, beverages and food on board, pre boarding, baggage and many times they fly into airports that are further away from city centers because their operational costs are much cheaper. In Europe we have several of these types of carriers operating.

Apart from the revenue gained from passengers, airlines also make their business from transporting cargo, selling frequent flyer miles and up selling their services. Though, the large part of the business comes from leisure and business travelers. Therefore we can segment and target the final passengers in two major segmentations business or leisure. Business travelers are the passengers that usually travel high yield fares and tend to up sell their purchase for business products. On the other hand, the leisure travel is the one that is more price sensitive and in times of economic turn down they are the ones that will mostly decline their purchase.

The costs this industry faces are extremely high and very vulnerable. Fuel cost takes the largest part of the cost structure of an airline, but labor costs and financial costs are also important. Though, fuel costs are also the most volatile because they tend to vary almost monthly and therefore a special attention should always be put into them. ("The Industry Handbook: The Airline Industry | Investopedia," n.d.)

Even though in the last years the economy has experienced some difficulties the airline industry has experienced a normal growth especially because of emerging markets in the world. The global load factor in 2013 was 79.5% one of the highest ever registered. At a global level the demand had the same tendency as the last 30 years with an increase in demand of 5.2% compared to 2012. (TAP, 2014)

Regarding the Financial performance of the industry including its cargo area and despite the increase in oil and consequently in fuel, in 2013 the industry had positive results of 12.9 billion USD and increase compared to 2012 where the total gains were of 7.4 billion USD. Contribution to this gain was the increase in traffic in carriers with historic background, though, because of a passenger increase which led to a decrease of the yield. Also the mergers and joint ventures in the markets made a more cost efficient some great players, and the charge of ancillary products due to product and service innovation were all important factors to the gains the industry had. (TAP, 2014)

The reason why this industry has continued to perform in a positive way and has been able to consolidate rapidly is because cost pressures, such as the high increase of oil prices, have made airlines to look for high economies of scale, continue privatization, access to cheap sources of capital, changes in regulations and increase potential for partnerships between airlines such as alliances memberships and joint business agreements.

A Joint Business (JB) is when a group of airlines explore together all the revenue and cost of operating certain routes. In Europe the most known joint business are the ones created between European and American carriers. IAG group has formed a JB business with American Airlines to explore all routes between Europe and North Atlantic destinations. On the other hand, AF/KLM has created the same with Delta and Group Lufthansa has developed its Atlantic Joint Business between the carriers of its Group Lufthansa and United. This brings the advantage of streamline costs, presenting common deals to customers and working on such synergies as alignment of schedules, destinations, more integrated and higher quality of customer experience (lounges, loyalty programs, etc) and a diversification of products and services. These Joint businesses also bring elimination of excess capacity and the ability to adjust capacity to adapt to changes in demand.

Worldwide, the aviation business is changing and airlines have to adapt according to the region they are in and the operations they want to focus into. In the USA airlines reached high levels of profitability in 2013, due to capacity restrictions. With the last merger between American Airlines (AA) and US Airways (US) and the previous one between Continental and United resulting in a larger United and a larger American, the consolidation within the region seems completed. In South America the merger between LAN and TAM, created group LATAM very well established throughout that part of the globe. In Asia it was the LCC that grew the most throughout 2013. In Africa all major large groups are expecting to grow due to the increase in demand and hope to have an effective cover for cross continental travel.

In 2014 great improvements were made in the aviation industry and the industry is now in a much better place than it has been for a long time. Recent figures from the International Air Transport Association (IATA) showed the industry posted

combined net profits of \$19.9 Billion in 2014 and expecting to rise to \$25 Billion in 2015.

1.1.2. The European Aviation Industry

The European carriers transported throughout the year 2013, 369 million passengers. This meant an increase of 1.7% compared to 2012 figures and in relative numbers it means an increase of more 6 million passengers. According to the industry standards of measurements this meant an increase of Passengers per Kilometer of 2.7% according to the Association of European Airlines. In Europe this increase was of 2.9%, in areas such as the North Atlantic the number of passengers per Kilometer was 3.9% in the South Atlantic 2.5% while in the Middle Atlantic there was a decrease of 0.9%. In the connections between Europe and Africa Sub Saurian the increase was of 2.4% and between Europe and Middle East the increase was 2.5%. The routes that suffered the largest decrease were between Europe and North Africa with a less 5.6% compared to 2012. (TAP - Transportes Aereos Portugueses, 2013)

In the corporate sector of travelling, travel budgets remained through the year of 2013 very limited particularly for trips within Europe. The travel for personal reasons suffered a decrease due to the decline of purchasing power within Europe and weighted on demand, but still maintained dynamic due to the development of international tourism and specifically in rapidly growing countries.

In Europe the sector remains extremely competitive. In addition to the legacy carriers operation within the region, the industry is also suffering from the high competition of low cost carriers and by the development of high speed rail links which brings a strong indirect competition to European aviation.

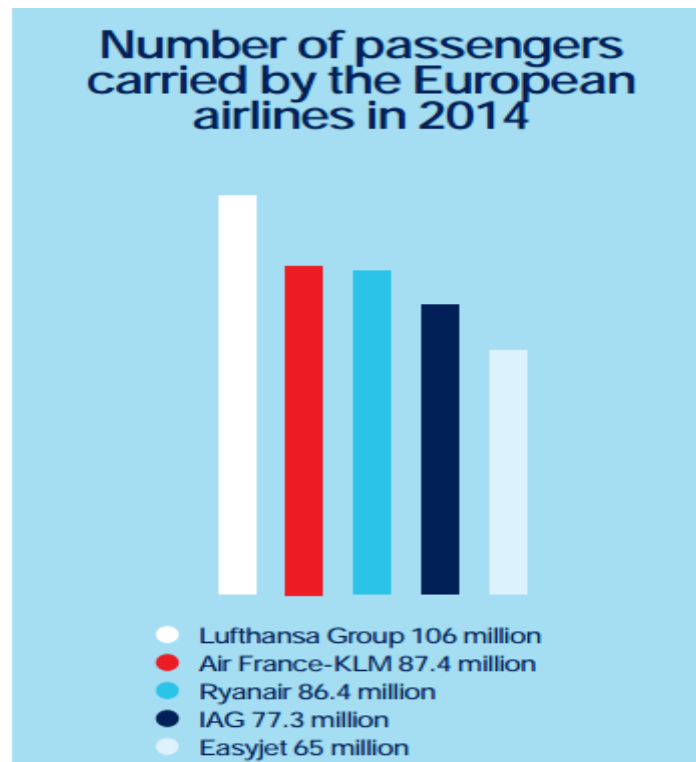
In this region the three biggest network airlines, Lufthansa Group, AF/KLM and IAG together with the two major LCC, Ryanair and Easyjet, hold around 40% of the European market. Their products and prices are still very different from each other. The profitability of each market player depends on their own home market and cost savings and the position they have in each European market.

The long haul traffic between Europe and Asia is filled with a larger number of participants with different products and price ranges.

In a general way all of Europe's big three legacy airline groups have been doing broadly similar strategies and decisions in the recent years. The main decisions have been taken in restructuring their network airline businesses and seeking growth opportunities through lower cost point to point operations especially within the intra-European routes. By integrating LCC associated to the groups, a more cost effective operation for the short haul segments is arising, without disregarding a preferred service in these segments for the passengers who travel into longer connections in premium cabins. That is why these LCC carriers continue to have premium seats even when operating within short haul routes. (AF-KLM, 2013)

In 2014 important events affected the European carriers such as the crisis in the Middle East and the Ukraine conflict and the adverse effects on global aviation created by the Ebola epidemic in West Africa.

Figure 1 - Graphic of the number of passengers carried by European Carriers



Source: AF-KLM Financial report 2014

For the year 2015 the industry is expecting their net profits to increase around 25%, mainly due to the decrease in the oil prices but also to the expected increase of the economic activity in the euro zone. The expectation of the increase of passengers is around 6.8% globally, but Europe might not quiet reach that target

because the increase in capacity will be superior. Also, Europe is still a region with a complex regulatory and tax environment and facing a strong increase in competition.

Also according to AF/KLM 2014 financial reports air traffic between Europe and the rest of the world is set to grow by an annual 4% over the next 15 years. (AF/KLM, 2014)

1.2. IAG Analysis

1.2.1. The Culture

As mentioned before IAG group is composed by three airlines. Two of them are legacy carriers and the other is LCC. The Legacy Carriers are British Airways and Iberia which also holds Iberia Express (another LCC) and only created to lower Iberia's labor costs. Vueling, is the low cost carrier of the group with its hub in Barcelona and a recently new hub just opened in Rome. British Airways has its hub in London Heathrow, even though it also holds quiet an important operation from London Gatwick (also a smaller hub) and London City. Madrid Barajas is the hub of Iberia. The two legacy carriers have in their hubs two of the best terminals of the world. T5 in Heathrow which is exclusively operated by BA and IB was voted the best terminal in the World by Skytraks and Barajas T4 took third place in the same awards.

British Airways is the UK largest international airline and one of the world's leading premium carriers. London's hub is the world's largest premium travel market. It flies into 157 destinations across 85 countries with 40 million passengers being served every year. London Heathrow is the busiest airport in the UK and the third busiest in the world in terms of total passengers traffic and it holds more international passengers than any other airport in the world.

Iberia is Spain's largest transport company with more than 80 years of history. It is the leading airline on routes between Spain and Latin America. It serves 61 destinations across 46 countries and it serves yearly 14 million passengers. Madrid Barajas is the main international airport in Spain.

For Vueling the LCC of the group its main base is Barcelona El Prat. It is located just 12 Km from the city center which makes it perfect for short haul passengers. Vueling operates from T1 which is the newer terminal of the two in El Prat.

Vueling joined the group in 2013 and it offers a wide number of routes in Spain, Europe, Middle East and Africa. Its focus is to provide a premium service at low cost. The carrier flies into 107 destinations across 30 countries with 13 million passengers being served since they integrated IAG in April 2013 until the end of that year.

As for their cultures they represent their home markets broadly. As an example inside group IAG most of customers believe British Airways is a more punctual airline than Iberia. The United Kingdom and its people are known across the world for its Big Ben watch, its tea time and their punctuality and therefore travelers also assume this characteristic for British Airways. On the other side consumers assume that because Spanish have the tendency to always be running a little late that Iberia is not a punctual airline. In fact it is exactly the other way around. Iberia has become in the last year one of the most punctual airlines in the world. According to flights stats, it was in fact the third most punctual airline in the world throughout 2014. Though, more than 90% of passengers when asked believe that it is British Airways that has this outstanding numbers.

The whole new image brand of Iberia has been a strong step for IAG. For decades Iberia had the image of the Spanish crown an image of “no change” throughout the years, the connection to the Spanish monarchy. Turning this around has been one of the most difficult milestones IAG had to achieve and of course it had to come with a whole rebranding of the company, and a whole new message being transmitted to the clients. The carrier is now passing the message of adaptability to meet client’s needs and several measures have been taken. Inside IAG Iberia was the first one to be answering Twitter and Facebook posts form clients 24/7 365 days a year. It is now always connected to its clients and listens to what the client has to say. With this change and the high ratios of punctuality Iberia is in the right track but still with a long way to run.

For IAG subsidiaries are also an important part of the business. Iberia Express which was created only to over cut costs of the short haul network has well positioned itself as a LCC as a full integrated part of Iberia’s network. The image was adapted at the same time as legacy Iberia and so the integration of the brand was very smooth inside the group and to clients.

Figure 2 - Old Iberia logo



Source: <http://www.ranklogos.com/logos/airline-logos/>

Figure 3 - New Iberia logo



Source: <http://brandingsource.blogspot.pt/2013/10/new-logo-iberia.html>

Figure 4 - Iberia Express Logo



Source: <http://imagefriend.com/iberia-logo.shtm>

British Airways has made no changes to its brand message in the last years. It continues to maintain its strong British figure and identity. Though, with a clear 5 year Business Plan to be “the most admired airline across the world’s key cities” it is clearly being out of range achieving this goal with the strong competition coming from the Middle East carriers. A strong turn around should be taken by British Airways regarding its communication to the public because at the moment the message “To Fly To Serve” has been the strong but not quiet assertive. (IAG International Airlines Group, n.d.-a)

Figure 5 - Advertisement Image of British Airways



Source: <http://toflytoserve.britishairways.com/>

Overall IAG has made clear that it will lead each airline through group's strategy but the idea is for each airline to always maintain its brand, operational network and maintained as different companies. In fact with the buying option that IAG has made to Aer Lingus that is also one of the guarantees the group has made to the Irish government.

In the case of British Airways, subsidiary Open Skies has also assumed efficiently the brand awareness of British Airways. Open Skies operates one single Business cabin flight between Paris and New York. Open Skies has managed to take the best of BA brand and integrate it into this small operation.

Figure 6 - Open Skies Logo



Source: <http://media.prometis.fr/vs/newsletter/2014/25/>

Finally Vueling has been very clever when delivering new brand awareness to the public. Vueling has passed the idea of a LCC with high service compared to its most direct competitors. It is seen in the travelling industry as the premium of the LCC and the brand awareness created has been very strong in all the markets the company has bet on. Vueling also has and must continue to have its own marketing and communication department. Due to its strategy the message is very different from those of IB or BA. It is a clear example of a dynamic LCC carrier but trying to offer more than only price to the customers.

Figure 7 - Logo of Vueling



Source: <http://logonoid.com/vueling-logo/>

Therefore and for the future of IAG it is important that inside the group each brand continues to act separately with clear brand messages for each carrier and differentiation clear to customers according to the brand. Commercial teams have therefore to have very clear what the message of each brand is, making sure they communicate it in the correct form for distribution channels and customers. Marketing teams should continuously inform commercial teams about the brand message being passed to the markets and sales representative should know how to differentiate very well the message of each brand. It is therefore important to maintain a workflow communication with each marketing department but marketing departments of each brand should be kept separately with clear strategies to work on.

The group also holds two other companies which are Avios and IAG Cargo. Avios is the shared global award system currency, which is used for Avios travel awards program in the UK and South Africa for British Airways Executive Club and Iberia Plus program.

IAG cargo came into existence with the merger of IB and BA cargo departments. This merge has made the group as one of the leading global freight carriers across the planet.

With its joint business agreement AJB (Atlantic Joint Business) with American Airlines and SJB (Siberian Joint Business) with Japan Airlines, IAG is focus on driving revenue and cost synergies between the operating companies. It has dedicated management of core airlines, direct management of areas of business which benefit strongly from scale effects and a platform for other airlines to join the group with immediate financial benefits.

1.2.2. The Strategy and Analysis of IAG

The common strategy for the three brands and for the group is to make sure that all brands operate effectively within and between the three markets where the three carriers are strong. The group is aiming to be more competitive in Europe the world's second largest air transport market and to have a leadership position to North America and to Latin America. At a time where most other groups are focusing on Asian and Middle East markets IAG has grown stronger across the Atlantic due to its strategic geographical hubs positions. Though, the group also wants to grow to

destinations in Africa and the Asian market where they have not been that strong traditionally. The group's strategy and objective is to build on the traditional international strengths of British Airways and Iberia and use Vueling as a new platform to compete within Europe and to ultimately feed the hubs.

The group is also continuing to work on common synergies for the three carriers and wants to continue to do so. To work more effectively among the brands is one of the strategies of the work. Changes in the way the group work is a main objective and focus for the future. The key to the success of the group is to win customers through service and value across the multi brand global network.

Throughout the end of the year 2014 and the beginning of the year 2015 two major events happened in IAG group. Qatar Airways acquired 9.99% of IAG stocks becoming the largest shareholder inside the group and making it very clear that has intention to continue increasing its position inside IAG. It is of course for the group completely different to have its larger shareholder a bank or another airline. This will most certainly bring along some synergies, but also more work for commercial teams. For IAG this was excellent news for the group, and an opportunity to increase its position where it is most vulnerable, which is the Asian and Middle East markets. This also brought to Qatar the opportunity to growth stronger into North and South America routes. It is almost considered like the "perfect marriage" in the industry.

IAG also placed an offer to buy Aer Lingus. Aer Lingus is the legacy carrier for Ireland. Due to the slot restriction existent in Heathrow, and the impossibility for the group to continue to grow in the UK market, IAG made this offer considering that Aer Lingus is the fifth airline to hold number of slots at this airport. Also, bringing a close hub into the group and giving the passengers excellent transfer opportunities through Dublin. Once again IAG promised the Irish Government a series of condition necessary for the acquisition to happen and extremely necessary for the Irish people, among which were the fact of maintain Aer Lingus headquarters in Dublin, maintain its hub and brand, and for a period of 5 years for its slots not to be sold for any other airline inside IAG group.

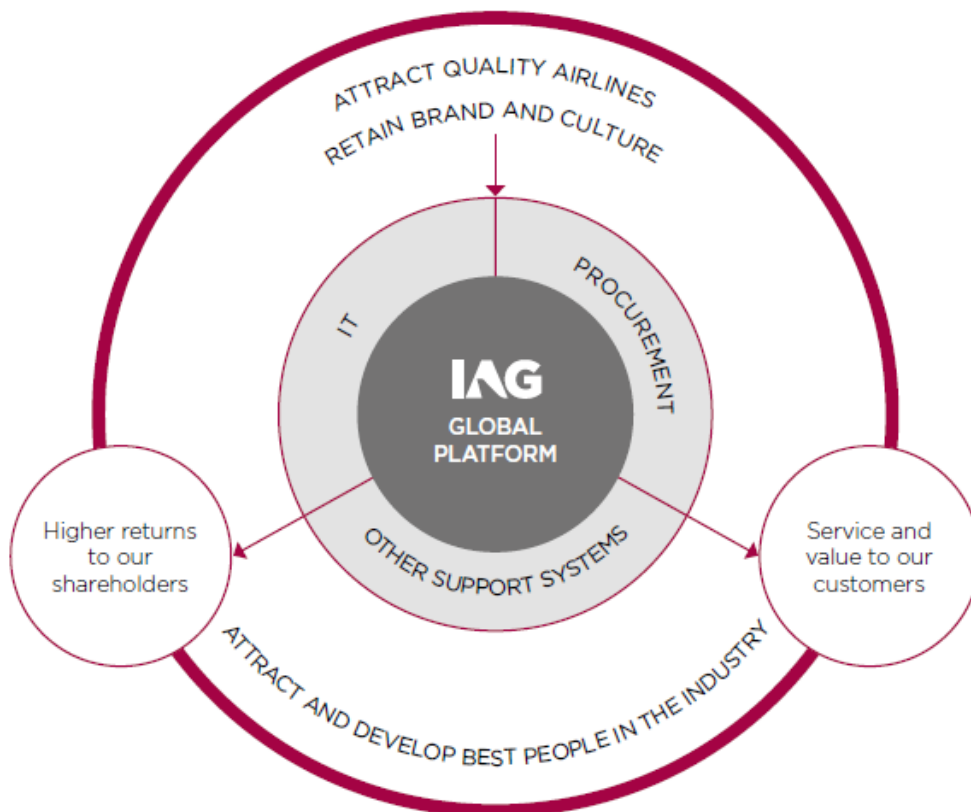
According to IAG Annual financial reports 2014 both British Airways and Iberia have strengthened their leadership in their respective hubs London and Madrid. British Airways added 5 more destinations due to the acquirement of BMI

(British Midland International), the took over of the slots and an increase in capacity of 5.9%. In Iberia’s case even though it is going through its transformation plan added eight new destinations and also increased its capacity by 3.6% though one third of its growth was from its new created brand Iberia Express. In the case of Vueling the company grew by 13% out of its base in Barcelona and added 33 new destinations to its network. The company has become the second carrier in Rome with nine aircraft based at this airport and a total of 40 destinations. (IAG International Airlines Group, 2014)

The healthier financial environment created by IAG with the restructuring of BA some years ago and the Future Plan being done at the moment in Iberia is promising news that there will be opportunities for cross-border consolidation and the unique business model allows group airlines to operated independently while benefiting from significant synergy savings meaning the group is well prepared to lead any further consolidation that might occur in the future.

Figure 8 – IAG Business Model

Business model



Source: IAG – International Airlines Group – Annual reports 2013

Retaining the brand and culture of the three carriers is inside the graphical strategy of the group and is part of the future development of IAG. The group is aware the culture of its airlines is part of the reason why customers choose the carriers they fly in. IAG strongly believes that maintaining the assets of brands and products of its three airlines is extremely important to maintain customer loyalty.

The group has six main focus points for its strategy: Leadership in IAG's main cities, leadership across the Atlantic with its partner airline AA, stronger Europe-to-Asia position in critical markets, grow share of Europe to Africa routes, stronger intra Europe profitability and competitive cross positions across the business.

During the year 2014 IAG grew stronger in their value strategy with the arrival of new aircraft and improved products. Vueling was for the first time part of the group for a whole natural year and became the fastest growing business in the group and also being the most profitable. Iberia came back to profit and to capacity growth after years of downsizing its operation and losses. Also British Airways increased capacity in many of its routes by completing its full year operations with the new airbuses A380 and Boeing B787. IAG has executed a profitable strategy for its network planning for long haul routes and also for the point to point operations inside Europe. British Airways itself has refurbished the short haul fleet in order to make the turnaround of the European operations by offering added services and distinguished itself from LCC. IAG strategy has led to improve its profit performance compared to its main groups of competitors.

With this strategy in mind the year of 2014 ended with IAG being able to make the offer to buy Aer. This confirms IAG strong financial performance and a confidence to pursue consolidation within Europe.

In 2014 IAG achieved an operating profit of 1.390 million Euros (before exceptional items) which was up 620 million Euros. Non fuel unit cost were down - 3.9% at a constant rate throughout the year 2015. This shows how the group is managing costs that are under its control and cost saving from synergies among the group exceeded the target by achieving a total of 633m instead of the target 600m Eur. Also during 2014 the group carried +15% of passengers with a total of 77 Million passengers which meant an increase of 10 million compared to 2013. Even though the passenger revenue unit was down in 0.4% (Passenger revenue divided by Capacity

Available Seat per Kilometer - ASK) this reflected the changes in prices and the changes in number of passengers carried because the productivity of the group was up +10.4% which measures the capacity that employees deliver on average each year (ASK divided by average number of employees inside the group). (IAG International Airlines Group, n.d.-b)

IAG's Company Structure:

IAG resulted originally from the merge of British Airways and Iberia though it was made through a merge when usually it is made by an acquisition of one carrier by another. IAG was created as a central management holding company with the merge of the stock options of all the shareholders of both carriers. This way IAG left to its own action the management of the operating airlines and in this way facilitates further acquisitions of other airlines. The acquisition of Vueling in 2013 demonstrated the merits of this approach and also with the offer made to Aer Lingus.

The group gives consideration to the potential for cooperation and synergies between its subsidiaries the structure allows each airline to operate separately. Decisions about the allocation of capital, targets of each carrier are taken centrally though the action plans to accomplish these targets are taken individually by the operational management team of each brand.

The North Atlantic leading Position

IAG had in 2014 a seat market share of 14% between Europe and North Atlantic making the group a leading airline in these routes. Delta is number two with nearly 12% of the seats flown between the two regions. The other US and European groups make up the next places. It should not be forgotten that for IAG to have these leading position the Joint Business with American Airlines was a great strategy implemented by the group. The three carriers AA/BA/IB split among themselves costs and revenue of the routes, and has improved greatly schedules, variety of service offered to the client, a synergy among frequent flyer programs and the capacity to serve direct flights from various European cities into US airports and vice versa.

Leadership of IB into South Atlantic

Iberia is the leading airline by seat offer into the South Atlantic region. (Excluding the Caribbean) with a seat market share of 17% when considering seats from Europe into that part of the globe. British Airways on its side only holds 5% of these market share though this brings IAG into a total of 22% market share of seat offers between Europe and South America and divides the European market greatly with group AF-KLM holding the exact same amount of 22% split between the 12% held by AF and 10% held by KLM.

IAG is better placed in LCC segment than Lufthansa or AF-KLM

All of three European Groups hold a LCC carrier inside the group in order to operate its point to point short and medium haul routes. Vueling is the LCC of IAG group. Vueling is more pan European brand and also more profitable than Germanwings held by Lufthansa or Transavia held by AF-KLM group.

In order to IB to come around its losses IAG also established Iberia Express to feed the Madrid hub. This carrier is already operating national routes inside Spain but also other important European routes.

IAG made faster progress in labor restructure than competition

Even before the merge between the two companies BA faced a series of strikes and millions of costs during the years of 2010 and 2011 because of the oppositions of the unions to the changes in terms and conditions of the cabin crews. Though BA was able to negotiate and able to restructure the cabin crew way of work and progression in career and achieved its main objectives. After the merge IAG also applied the approach to IB and finally during the year of 2014 an agreement was signed with main unions and IAG brought peace to the company after a series of months of strikes and instability. IAG also made clear that IB would not grow until IB teams could demonstrate that growth would be profitable.

BA's High Yield Heathrow hub

London Heathrow in one of the highest yield markets in the world of aviation. London is a very large Origin-Destination (O&D) market involving also high yield cities and top ASK (Available Seats per Kilometer) which include the routes

between London and New York, Dubai, Hong Kong, Singapore and Los Angeles. The United Kingdom with special emphasis in the Heathrow airport is a very strong market for premium passengers. More than 17% of Heathrow seats are in premium cabins, compared to other airports this represents a difference of nearly 8% more premium seats than when compared to the global market.

IAG Brand Strategy

IAG itself does not have a strong brand inside the aviation industry. Therefore, the holding has taken the decision to leave all integrated carriers with its brand. IAG believes that the strong position of the brands such as IB and BA is a valuable asset for the business. In this way the carriers maintain its own individually characteristics continuing to be associated with the cultures and continue to be considered as the legacy carriers of their hub and home markets even though they are completely privatized and owned by IAG. With this strategy all IAG’s brands are strongly positioned and respected in their home markets.

British Airways has won UK Super Brands remaining a leading premium airline while Iberia is the widely known airline brand from Spain. Vueling has a brand with a strong customer service perception and a reputation in offering some premium services compared to other European LCC such as Ryanair and Easyjet.

Figure 9 - Product Features: Vueling vs Easyjet vs Ryanair



Source: IAG Capital Markets Day Nov-14

IAG Spain's position

IAG maintains a strong position in the domestic Spanish Market. Iberia holds around 32% of seats and Vueling holds a total of 27% which means that in the domestic market IAG has a total of 59% of market share in flown seats. The larger competitors are Air Europa with 17% and Ryanair with 14%.

In the overall market domestic and international Iberia has 14% of seats Vueling 13% and British Airways holds only 2% though making a total of share of 29% of the total amount of seats in the whole Spanish market.

ROIC (Return on Invested Capital) still not achieved

Between 2016 – 2020 IAG has for all its operating carriers a target of 12% for its ROIC. This means that the operating margin target has to be achieved in a range from 10% to 14%. In 2014 the margin was 4.1%. Therefore at the moment the operating is not achieving the necessary margins and this down ration fall more specifically into Iberia which is still going under a severe restructure. British Airways maintains a high Cost Available Seat per Km (CASK)

Even though British Airways worked a lot in the last years in its costs especially with the labor conditions agreed for cabin crews its CASK continue to be among the highest between European carriers. This is compared to its partner Iberia and also to other European FSC (Full Service Carriers). BA is a carrier generated of high level revenue though a swing in demand may leave the group vulnerable with its costs being so high. In the long haul business there is also further competition from the Gulf and Asia area with CASK lower than BA and offering a very high quality product.

No More Space for Heathrow hub to grow

Because of the lack of capacity for the hub to increase traffic the O&D Yield starting in the UK has increased and helped the high yield segment. This has also been one of the reasons why IAG made an offer to buy Aer Lingus which holds a high number of slots at Heathrow. This same strategy was used by the group when acquiring BMI and introducing the fleet into BA's operation making the company operate the largest summer schedule ever during 2014. As a group IAG had been able to grow through its other hubs both Madrid with Iberia and Barcelona with Vueling. The

increase of a third runway in Heathrow could also mean the increase of higher taxes leaving BA operations even more expensive. It could also mean that greater competition could come into the hub and BA losing market share in ASK in the Heathrow hub. Though an opportunity could actually be found if Aer Lingus becomes part of the group and Dublin could be used as alternative hub to Heathrow for North Atlantic routes.

IAG is small in one of the most important markets: Asia Pacific

The international network of IAG into this market is very weak. Iberia does not operate to the region and BA's market share in seats between Europe and Asia is only 5%. In this case both Group Lufthansa and AF/KLM are taking the lead in these routes with group Lufthansa holding 12% of seats (Lufthansa, Swiss and Austrian) and AF/KLM hold a share of 10%. IAG comes also after Turkish with 7% MS and Aeroflot with 6%. The only destination where BA holds a stronger position is in India though still not enough for a major global airline. This explains the continued interest IAG CEO Willie Walsh has shown in Asia carriers and the partnership with JAL and the synergies that might come from Qatar Airways.

Asia Expansion

With the acquisition of IAG by 9.99% of Qatar Airways new opportunities must come up for the expansion of the Asian market where IAG is most vulnerable. Qatar Airways could bring into the group a series of connections through its hub in Doha while also improving the opportunities from several European markets where the airline is already flying to. Though we will still have to wait a little longer to analyze and see how these operating brands will work together and get synergies from each other. After all Qatar was not integrated into the group but it became the largest shareholder of the group though still with a small portion and according to European Law they will not be able to afford more than 49% of IAG.

IAG is also the weakest of the big European airlines in China, relying mainly on Cathay Pacific (its Oneworld partner) until this acquisition happen by Qatar. A full integrated Joint Venture with Qatar will bring IAG with an opportunity to exploit the Asia region's potential even more.

Fleet orders in place will bring into the group more efficiency improvement

At the moment the fleet age of IAG is above average rate compared to other European airlines. This is more because of BA fleet which has several aircraft that are around 20 years old such as the Boeing 747-400s, 767-300s or in the short-haul fleet the 757-200s and 737-400/300s which operate out of Gatwick airport. On the other Iberia has at the moment one of the youngest European fleet though it will continue to receive new aircraft such as the A350 by 2017. This new aircraft is part of the order placed by IAG in 2013 which apart from the A350, also ordered to integrate the fleet of BA B787 Dreamliner and the A380. For short haul operations including those of Vueling new A320 were order and will be analyzed where the holding will put them for operations. At the moment IAG is analyzing the turnaround both Iberia and British Airways are doing with Short Haul business and if business does not become profitable it is clear that Vueling will take the lead of the short haul operations with several bases operating in Europe and feeding the hubs.

Further Airline acquisitions is part of IAG objectives

As mentioned before IAG was created not only to have the merger between Iberia and British Airways as it happened in 2011, but also to integrate further carriers into the group. Since then, the group acquired BMI, which was bankrupted and operations integrated into BA as BMI, and Vueling which became part of the group. In December 2014 the group made a bid over the Irish carrier Aer Lingus which offers extremely interesting benefits in the form of Heathrow slots and the North Atlantic market.

On the other 9.99% of IAG was recently acquired by Qatar and closer integration between IAG's operating airlines will lead to savings

In this case and depending on the evolution of Qatar as shareholder into the group the opportunities could come very soon especially into the Asia area where we have analyzed before is the greatest weakness of the group. The integration of BA and IB has brought significant benefits. In November 2014 the group readjusted the target regarding synergies among the group and decided that between 2011 and 2015 instead of initial target of 560 million it should move to 700 million. The group has also made a positive point in negotiating aircraft as IAG instead of each airline doing it

by itself. Opportunities still remain inside the group for more integration between the airlines. IAG already began a program for its A320 fleet, allowing switching aircrafts between the different airline brand. This provides significant savings that could go up to 500,000 Euros until up to 1 million per aircraft.

Low Cost Carrier Competition remains very strong in the European Market

Growing LCC carriers remains a great threat to both Iberia and British Airways especially because LCC are now targeting two essential markets: corporate high yield segment and groups travelers. These two type of markets segments usually have specific conditions attributed which until now LCC did not pay much attention to them. Though, in the last few months, a greater effort from LCC is being done to target these segments. BA's Heathrow hub remains with a low participation by LCC (only Germanwings and Vueling operate there, accounting for a low one digit % of seats). However the UK has one of the largest LCC carriers in Europe, Easyjet, which even though do not operate in Heathrow hub it has a very strong position in other London airports such as Gatwick or Stansted. In this case all added together the low cost carriers have a very larger portion of all London's short haul market.

Madrid's hub features all of European's LCC, including Ryanair and Easyjet, but in this case the integrated Iberia Express and Vueling itself with its hub in Barcelona have helped to mitigate the impact in this market.

Gulf competition will most likely continue to grow

Competition in the long haul market from the Middle East area will most likely continue to grow (Emirates, Qatar and Etihad) but Turkish Airlines cannot be forgotten. Working along with Qatar has been an objective settled by IAG but it still remains doubtful if this will be well taken along other IAG shareholders that do not hold participation in Qatar Airways. Nevertheless, the competition of the other Gulf carriers remains. For example, in addition to the direct competition in the route Dubai-London Emirates has opened other routes to UK cities such as Birmingham, Glasgow, Manchester and Newcastle. This means that they are bringing an alternative hub to Heathrow in Dubai for all passengers travelling to Middle East, Africa and Asia Pacific.

Also Emirates is also targeting another important market for IAG which is the North Atlantic. In this case the company is applying for permission to fly several

routes between Europe and North America and has already started when European legislators allowed a slot between Milan and New York a flight operated daily by Emirates.

The integration between Virgin/Delta and United/LH is the largest threat for North Atlantic routes

At the end of 2014 with the acquisition of 49% of Virgin by Delta (DT) this group has now over the North Atlantic routes a total of 19% of market share. IAG took the second place with 14% of the seats. At the moment Virgin has not taken a position inside Skyteam Joint Venture (DT/AF/KLM) over the Atlantic routes. In case this was to happen Skyteam would take the total lead over the routes between Europe and North Atlantic and position itself as a leader over Star Alliance and Oneworld. Even though IAG denies being worried about this strategy it has taken a clear position and has made an offer over Aer Lingus and made clear to show Dublin would serve as an alternative hub to continue improving the North Atlantic business. IAG has guaranteed that Aer Lingus would integrate the Joint Business between (American Airlines, British Airways and Iberia) and would become part of the Oneworld Alliance.

Vueling – Any slight loss could damage the whole process

Vueling has presented in 2014 an operating profit of 144 million Euros but needs to continue a strict cost focused strategy while improving its image and brand over the European LCC. (Http://centreforaviation.com/analysis/iag-swot-europes-leading-legacy-airline-group-shows-financial-progress-and-strategic-confidence-204166, 2015)

Figure 10 - IAG Logo / British Airways Logo / Iberia Logo / Vueling Logo



Source: <http://www.iairgroup.com/>

1.2.3. IAG Cargo

The cargo part of any airline (except LCC) usually represents a large part of the business especially in its long haul operations. Daily air cargo moves all other industries. Its impact in the world economy is so large that we just have to look at what happened when a few years ago the European air space was closed due to the volcanic ashes in Island. In just a few days fabrics were stopping their productions, import and export was almost stopped and the whole European economy suffered an impact.

In IAG a close attention was paid to this section of the business. Throughout the year 2014 a new strategy was implemented in order to establish a leading cargo network. IAG cargo was built on the foundation of a brand new business and a single and common commercial platform and a unified network for both airlines was formed throughout the world. IAG commercial teams were recruited from both airlines, collaborators that were accepted integrated the new company and commercially the teams now represent both brands in a true integrated way. A single process of working was implemented and IAG Cargo was able to increase its focus in exploiting the IAG passenger aircraft while lowering in the long term its costs with integrated teams.

A strategic review of the business made IAG to focus on premium products and services applied in the cargo area. This made the group focus on express cargo (cargo that needs to be able to travel from one point of the globe to another in just 24 hours such as fresh fish) and also in temperature cargo: cargo that needs to be flown at certain temperatures such as vaccines and insulin which improved the delivery of such products to over 100 certified stations. Furthermore the group also invested in products to meet the needs of a variety of industries from pharmaceuticals, perishables and fashion.

Even though the initial costs of establishing IAG Cargo was a great investment, the dividends of that investment are starting to pay off. The group ensured the optimal return across the IAG network with a common system of revenue and capacity management called Optima. This system was totally integrated with the commercial teams throughout the year of 2014 and has enabled IAG cargo to allocate capacity and set price more efficiently and in this way optimizing contribution.

In this way IAG cargo was able to integrate also Finnair as part of IAG cargo group and commercial teams are now able to represent and work in a completely independent and impartial way for any airline that already belongs to IAG cargo or future ones that could join the group. In the short haul program IAG introduces the Euroconceptor 24 and 48 program offering customers time options for shipping from, into and around Europe increasing the utilization of the narrow body fleet of British Airways, Iberia and Vueling.

By the end of 2014 the integration of IAG Cargo commercial teams was done, the business established its bottom line starting point, developed its products and services and it is now well prepared and positioned for the future. (IAG International Airlines Group, n.d.-c)

1.3. The Competition

1.3.1. Group AF/KLM

This group is composed by three airlines Air France which maintains its hub in Charles de Gaulle and is the legacy carrier for France, KLM which represents the Dutch people and its main operations are located in Amsterdam Schiphol and Transavia which is a Low Cost Carrier that is growing fast across Europe and opening several new hubs in a diversity of cities.

AF/KLM is a global leading airline group and in 2013 carried 77.3 million passengers and generated 25.5 billion Euros in revenue. The group has a total of 582 aircraft flying to 231 destinations within 103 countries. It has the most extensive routes network between Europe and the rest of the world. AF/KLM are both founding members of the Skyteam alliance. The group holds around the world nearly 95,000 employees who contribute to the different business areas of the group which are mainly passenger transport, cargo transport and aeronautical maintenance. It is also developing another two scopes of business which is its low cost carrier Transavia and a catering business. (AF/KLM, 2014)

It served 119 long haul destinations worldwide 35 in Africa, 25 in North America, 23 in Asia Pacific, 11 in Caribbean, 3 in the Indian Ocean, 11 in Latin America and 11 in the Middle East. Given its balanced spread presence the group's network is very well balanced, with no single market representing more than a third of

its total passenger revenue. Since these markets behave differently the group is able to be protected in the case there is negative impact in the development or crises affects in these markets.

The two hubs of the group are two of the four largest hubs in Europe. These hubs combine connecting to point to point traffic. Around 60% of the passengers travel for personal reason and 40% travel for business reasons. The group also shows a good balance between transfers passengers and point to point passengers with AF having 45% of connecting passenger through Paris and KLM having 60% of passengers transferring from one flight to another at Amsterdam hub.

Figure 11 - Transavia Objective



Source: AF-KLM Annual Financial Report 2014

1.3.1.1. The Commercial Structure of group AF/KLM

Because this group is the older one since its mergers they have had for some years a new commercial organization. The main commercial functions (sales, revenue management, distribution, digital, etc.) were regrouped to gain effectiveness and proximity to clients. The geographical was also simplified with two national market (France and The Netherlands), five international market and one joint venture market with Delta.

In local European markets AF/KLM has decided to have a true integrated commercial team. In this case Commercial Managers, Sales Managers, Account Manager and Sales Support truly represent all brands of the groups. Also marketing actions are taken together and Transavia takes an active part in their actions. In industry fairs in the market, account managers promote and sell the three brands. Through, through trade partners it is also known that the support given to agency clients is also common and call center to final clients is also the same for the AF/KLM brands. The European teams are therefore composed by Commercial Managers (Local or Regional), Sales Managers, Account Managers, Sales Support and Marketing Executives that work for the three brands in the same way. (AF/KLM, 2014)

The group also uses a common CRM system that applies to the integrated teams and uses it for all three brands.

Figure 12 - AF-KLM Logo



Source: <http://www.dakotafinancialnews.com/air-france-klm-sa-upgraded-to-neutral-by-citigroup-inc-aflyy/121979/>

Figure 13 - Transavia Logo



Source: <http://www.transavia.com/>

1.3.2. Group Lufthansa

The Lufthansa group is an aviation group with global operations and over 500 associated companies. It consists of five business segments which are passenger transportation, logistics, ground services, catering and IT services. In 2013 it generated revenue of 30.0 Billion Euros and employed nearly 117,343 Staff.

In the Passenger Airline side Lufthansa, Swiss, Austrian and SN Brussels make up this core business segment. These brands are all positioned as legacy carriers, as quality airlines and enjoy outstanding reputation in the market. The airline portfolio

is complemented by the LCC Germanwings in a changing process into Eurowings. The business also extends into the charter German-Turkish company Sunexpress. During the year 2013 this group was the European market leader recording the greatest number of passengers and the highest revenue of all European Airlines.

The Global Group offers its clients a global network of 264 destinations in 106 countries. The Group's multi-brand hub strategy includes the following hubs to operate its network: Frankfurt, Munich, Zurich, Vienna and Brussels. The stated goal of the Passenger Airline Group is to bring profitability and to maintain its identity and leadership as a group of European quality carriers. At the heart of the market strategy the group focuses on high quality, safety, punctuality, reliability, and efficient customer service.

Lufthansa group has always been advanced in its innovative programs, products and services. In some cases these activities are coordinated centrally, but mostly they are carried out by the individual brands. The outstanding culture of innovation plays key role in expanding the range of products.

In 2012 the group introduced the SCORE program which meant the modernization of the structure of the Group and to change the corporate culture. The Group is standing by four cultural and strategic objectives:

- Increase company value
- Expand the leading market position of all airlines and service companies by actively shaping the aviation sector
- Continuously increase customer satisfaction
- Conduct economically, ecologically, and socially balanced and sustainable business

In the process of change towards more efficient processes and structures for greater agility and adaptability, the cultural change that was implemented in parallel is taking a significant role in the whole process. In this aspect the group has understood that it is only when all the business segments work together, it is not only operating alongside each other but it has to be operating with and for each other that the Lufthansa Group can achieve its full potential. With this objective in mind the company created the SCORE program which along the corporate culture of each brand, brings working

groups together from all companies to work on specific projects with these set of goals: increase revenue, cut costs, realign structures across all segments and plays a long term significance in corporate culture. The SCORE program motivates entrepreneurship, flexibility and optimizes cooperation among all carriers. The motivation of employees and dedication to all brands, are pre requisites to bring value and shaping the future development together. Between 2012 and 2014 the SCORE program has made a contribution of more the 2.5 Billion Euros in their operating results. During this period, staff from all airlines of the groups has been involved in more than 7,500 ideas and projects applied to all sectors of the business. The program has been able to realize long term synergies with a special focus in the airlines of the group. As an example of a program was the merger of check in areas for all airlines of the groups at all major airports except in their home markets. The joint check in highlights the positive aspects of the Lufthansa Group as a single company and at the same time reduces the number of check in counters and the operational costs of the group. Another example was the creation of the “Remote Ticketing Centers” which assist customers of all airlines of the group when flights are disrupted for any operational reason. This has also made it possible to close several ticket desks at several airports. (Lufthansa, 2014)

Figure 14 - The Pillars of group Lufthansa Strategy



Source: Group Lufthansa – Annual reports 2014

Figure 15 - Picture of Carriers of Group Lufthansa

Source: Annual financial report group Lufthansa 2014

1.3.2.1. The Commercial Structure

Group Lufthansa has had a different approach in the integration of the commercial teams. In this specific case Account Managers in contact with the client they do not represent all the brands integrated in the group. In this case Germanwings has a separate commercial structure. Also group Lufthansa is working on a common CRM to integrate all brands in order for commercial teams to be able to communicate with all brand's departments in an effective way.

Regarding the brand Germanwings and Eurowings in this case the approach is similar to that of IAG. Germanwings has several bases across Germany (Frankfurt and Munich). Because Group Lufthansa has also Swiss, Austrian and SN Brussels in the group a new low cost carrier is being created and Germanwings is being transformed into Eurowings. This LCC has opened its first base in Vienna but the intention of the group will be to expand the brand across all other markets. The brand Eurowings will soon substitute fully Germanwings and will continue to create bases across the major hubs of the group. The intention just like in AF/KLM and in IAG will be as much as possible for the LCC to feed the hubs of the long haul operations of the groups. The commercial structure of Eurowings is also separated from that of the rest of the group. They take separate marketing actions and in case the account manager of group Lufthansa identifies a potential business for its LCC partner, then a different person is contacted and a Eurowing commercial team takes over the process. They also have a specific revenue management department and a specific marketing department.

In this case the comparison with IAG group regarding Vueling is very much similar as both groups maintain a completely cost structure of their LCC carrier completely separate from the rest of the group. This helps maintain the image of the legacy carriers for the group separate from the its LCC brand and control the costs separately but still obtain benefits from the synergies the group brings.

Figure 16 - Evolution of new Eurowings



Source: <http://investor-relations.lufthansagroup.com/fileadmin/downloads/en/charts-speeches/LH-APC-2015-charts-Spohr-Menne.pdf>

Figure 17 - Legacy carriers and LCC of group Lufthansa



Source: Group Lufthansa Presentation of Financial Results 2014

1.4. The Clients

For this section it is important to define between what is consumer and what is a customer and the difference between the two in civil aviation. A consumer is the one that actually uses the product or service provided. In this case the user is the one that actually travels. They are the ones showing up for flights and they are the ones easy to be analyzed using on board or on line questionnaires or making them faithful through frequent flyer programs. The users of airlines are usually the target of the marketing departments of the airlines. Most of the times they are not decision makers in the buying process of a ticket. The only exception are the European inter flights for leisure travelers where in this case many times clients buy directly online through airline's websites, but here they are most likely price oriented and therefore the lowest available price for the flight they want is the key factor for decision. Here commercial teams pay little or no influence at all.

On the other hand customers are those that are involved in the buying process and can actually influence the user in their option of travelling. In the aviation industry we have travel agencies, with its different segmentation and of course the corporates for their business travelling. (Shaw, 2012)

1.4.1. The Trade – Travel Agencies

Travel agencies are therefore the largest customers airlines have. In some markets, still something over 70% of the bookings that airlines receive come through agents, though the proportion is now generally declining. They influence greatly the choice of most travelers, especially in the SME corporate travelers and in the leisure travelers. Airlines have therefore incentive deals to influence the priority of sales inside a travel agency and account managers are responsible to sign, control and manage those deals with these partners. Airlines also offer different type of fares to agencies depending on their type of segmentation. Agencies are identified to airlines through their IATA (International Air Transport Association) number (Accredited Passenger Sales Agent) and it is through those IATA numbers that airlines control the revenue and behavior of the agencies. Without this identification number the agency is not allowed to issue tickets for the also known as IATA Airlines. This association was founded in 1945 by a number of airlines and is the entity that now regulates many aspects of the industry, among which are security of airlines, airport procedures, permission for agencies to issue tickets among other points of operations.

Travel agencies are usually segmented in the four main areas: Corporate, Leisure, On Line and Wholesalers (Tour Operators and consolidators).

1.4.1.1. Chains, Specialized Agencies and TMC

Chains are those travel agencies that are geographically present with several stores throughout a country or region. In the Portuguese market we have some well-established names such as Top Atlantico, Abreu or Geostar. Most of the stores in a chain have a dedicated IATA number, therefore Account Managers have the responsibility to monitor the performance of each independent point of sale. Though, these agencies are managed through clear guidelines of sales priority in order for all of them to achieve targets established in deals with airlines. Some of the IATAS are also dedicated to a specific type of businesses.

Most of these chains have one IATA dedicated exclusively to corporate travelers. These IATAS operate as a call center and are referred to as BTC (Business Traveler Centre's). Many airlines offer special discounted fares only available to clients buying through BTC. Corporate deals or dedicated discounts to

specific companies are controlled and sold through these BTC or also known as TMC (Travel Management Companies).

Chains also have IATAS dedicated to other specific businesses. As an example is the marine business. Inside these chains you may have IATAS dedicated only to marine traveler which requires a specific type of attention and very specific conditions of travelling. It is important that agencies have people dedicated and experts in these segments as ticketing, documents and booking require specific conditions that travel agents need to be very well trained on. Another type of business that chains are focusing on are Groups and Incentives travelling. Here also, airlines offer special conditions to agencies for each group request they make. Groups and Incentives departments need to also have specialized agents working as these trips also have very specific conditions from airlines and many times from clients themselves.

Around the world TMC's have taken an important position in the market. These agencies known as Travel Management Companies are dedicated to corporate travelers and are global brands. They usually do not have stores facing the general public and are very focus on managing global international accounts or large local corporate accounts. TMCs known around the globe are those such as Amex Travel services, Carlson Wagonlit or BCD Travel. These agencies play an important role to also negotiate with airlines corporate deals and discounted fares for specific companies. They work as a consultative partners and help business clients obtain the maximum savings possible from their travelling costs.

1.4.1.2. Tour Operators and Consolidators

Tour Operators and consolidators are wholesaler's that sell to other agencies. Tour Operators are dedicated to the leisure segment and they benefit from specific Tour Operator fares that need to be sold in a package with other products. When the retail agency buys from a Tour Operator it is contracting a whole program: Air Ticket, Hotel, Rent a Car, Travel Insurance, Transfer or any other service. In fact neither the agency nor the passenger knows exactly what amount is being paid for each service, as according to the rules of tour operator fares the agency has to pay for the total value of the packages. Tour Operators also buy allotments in aircraft buying in advance a certain number of seats to the airline that needs then to be sold to other agencies. Main chains work with their own Tour Operator, as an example Abreu has

Tour Operator Club1840 and Top Atlantico owns part of Solferias but many others are present in the European and in the Portuguese markets.

Until now we have always been talking about agencies that have a dedicated IATA number. This means the agency is allowed by IATA to issue tickets for IATA airlines. This certificate has a great cost for agencies as high bank guarantees are needed in order to obtain it, as this represents the fact that the agency will have a credit line with the airline. Because of this high cost, many agencies have opened without having a IATA number. They are simply equipped with GDS (Global Distribution Systems) where they are able to make reservations but at the end they are not allowed to issue the tickets as they do not offer sustainable conditions to have an open credit with airlines. These agencies search for services consolidators agencies. Consolidators basically issue tickets those non IATA agencies. They have become therefore an important player in the market as they manage a business that in fact airlines cannot control.

1.4.1.3. OTA – On Line Travel Agencies

Online travel agencies have grown very rapidly in the last years though only a few of them have grown so much to become internationally consolidated such as E-Dreams or Expedia. Even though these agencies have taken an interesting position in the markets many airlines see them as a direct competition to their web sites and the direct on line selling. The fact is that many travellers have become serious users of these platforms especially in those trips that are very simple to book. They have grown for leisure travellers who usually travel short distances. In the case of the European market they have penetrated in the selling of Domestic and European tickets. The success of these web sites is that in just a few clicks users are able to gather information from a series of airlines, such as price, schedule and conditions of the tickets being purchased. The buying process is very simple and customers like simple.

1.4.2. The Corporates

Even though commercial teams in airlines dedicate many of their time to travel agencies customers, a special attention must also be taken to their corporate segment. More and more corporates around the world establish travel policies depending on the commercial and safety conditions airlines offer to their collaborators.

In particular, recessionary economic conditions have made severe pressure being placed on travel budgets at firms and corporate dealing has been recognized as a valuable way of reducing costs. Though, not everything is about costs and many companies especially multinational companies, still forbid the use of LCC and forbid more than one top management member to travel in the same flight as another. The figure of the Account Manager in airlines is also responsible to manage corporate deals.

1.4.2.1. Local Deals

In most European countries the corporate travelling is usually done by SME business. These corporates do not have the power to negotiate with large airlines and so marketing departments have developed specific programs for corporates to benefit from. Among the most successful cases in the European market are the programs of Group Lufthansa called PartnerPlusBenefit Program and the AF/KLM Bluebiz program. These programs offer corporates to accumulate certain points that can later be transformed into free tickets, upgrades or discounts in future reservations. They accumulate points for all tickets issued. Many of these programs also offer a small discount in the fare in certain booking classes and cabins. This incentive is seen as a rappel to the corporates as the more they travel, the more they earn and the faster they will achieve a target for a bonus.

1.4.2.2. Global Deals

Global deals are usually negotiated through central teams located in the headquarters. In most airlines the figure of Global Account Managers also exists, who usually manages one single account and is responsible for the global revenue of that account. These account managers coordinate proposals and daily activities of the corporate with local account manager's teams. Even though they are the central figure for the client, local teams are the ones who know their markets and decide upon the conditions that should be offered to the company in a specific market and for that specific global deal. In this case most airlines offer a direct discount to the clients in specific routes, cabins and booking classes, and also specific conditions for their tickets. Many carriers also include some kind of rappel either given in tickets, upgrades or even a money rappel to the corporate if specific targets are achieved. Because of these tough negotiations multinational corporate accounts have clear guidelines of which carriers

should be used and which are even forbidden by corporate travel policy to be used by collaborators.

In this way when a collaborator from a specific corporate travels for business reason most of the time their choices are either done by the travel agency who tries to influences the choice according to the incentive deals they have or because the corporate itself establishes a travel policy that the collaborator has to follow.

2. The Commercial Structure in the European Markets of IAG and its issues

2.1. The Organization

Throughout the world IAG went into a large restructuring since the merge of the two carriers. Analyzing the global network of each carrier it was clear where each brand had the stronger brand positioning and therefore it was more or less clear which carrier should take the primacy and take over the commercial representation of the other carrier.

In North America and because of the AJB commercial business it was British Airway's commercial teams that took over representing both brands of BA and IB. The Asian market was also clear as for operational reasons Iberia does not have any commercial structure in this part of the globe and so it was BA's teams that continue to work for BA representing now BA and IB products and services. In the same way Latin America continues to be Iberia's most important part of the globe and the company continues to be leader airline between European and Latin American routes. Therefore, Iberia took the primacy in these markets and Iberia's sales team represent now both brands commercially especially in Brazil and Argentina where both airlines had commercial teams and now have only one integrated team.

It was therefore in Europe where the issue raised. In which countries should each airline take the commercial initiative? As time passed since the creation of IAG and the integration of the two carriers, it was clear that Iberia had to become a profitable airline before assuming any more costs under its structure. For this reason, British Airways teams in all European markets took the primacy and are now representing commercially the two brands. This happened in all markets except for Portugal as Iberia had a clear stronger operational network in Portugal. Vueling continues to have a separated commercial and sales team in most countries and more specifically in Spain with base in Barcelona. In Italy with the opening of a base in the Rome commercial teams have also taken the lead to represent this carrier in the Italian market and are now the first country to actually be IAG representative even though sales representatives are actually British Airways' employees.

Throughout the year 2014 a series of steps took place in the integration of teams and commercial structure which have made IAG non fluke costs to decrease and productivity to increase as in the numbers presented before:

1 – The group completed the sales force integration in countries such as Germany, France, Italy and Brazil.

2 – In Italy it was introduced the first market with group approach in the sales teams capturing benefits for all three carriers: British Airways, Iberia and Vueling.

3 – In operation it was introduced further codeshares meaning that Vueling is now a sustainable feeder to British Airways and Iberia long haul network, because Vueling operating aircraft now also have IB and BA flight numbers

4 – Launched a new generation selling, using automated digital application

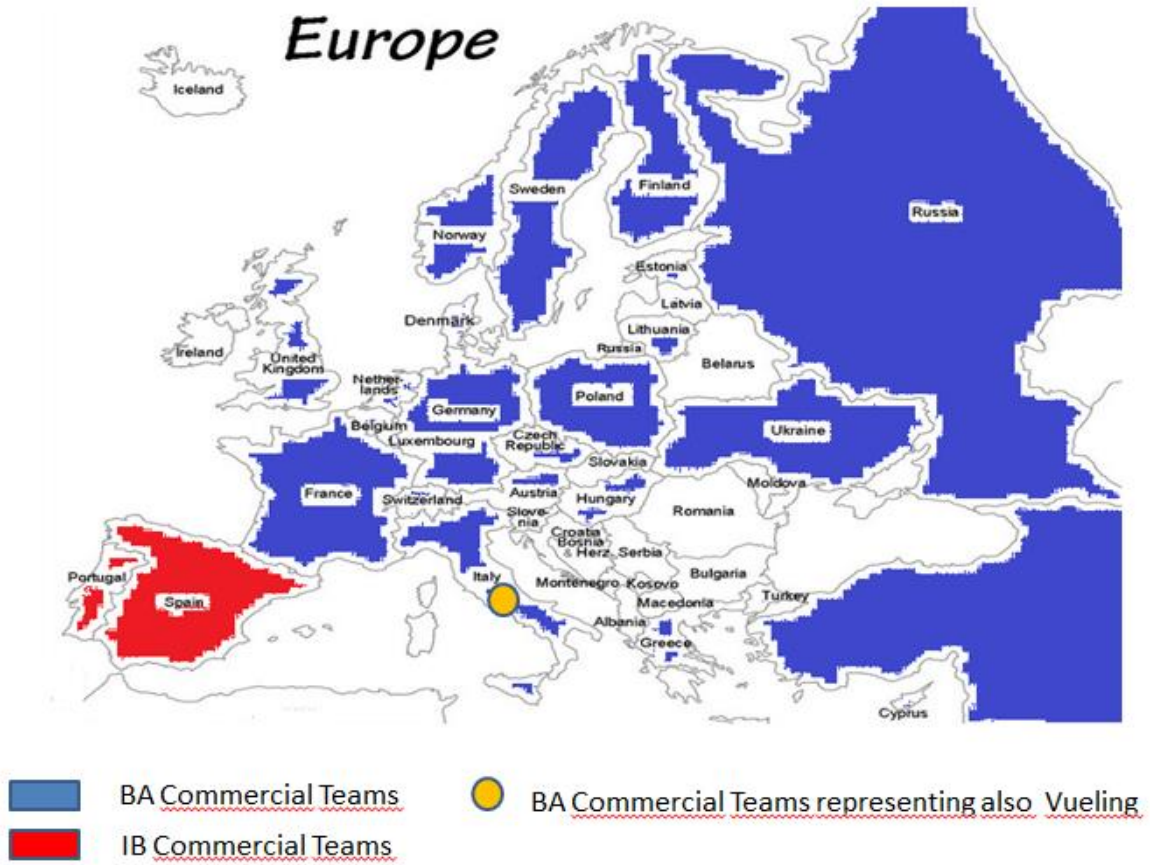
5 – Concluded Global Distribution Systems (GDS) deals with three major providers

6 – Enhanced combinability, leveraging IAG network and selling optimization through all channels

7 – Implemented additional revenue management best practice

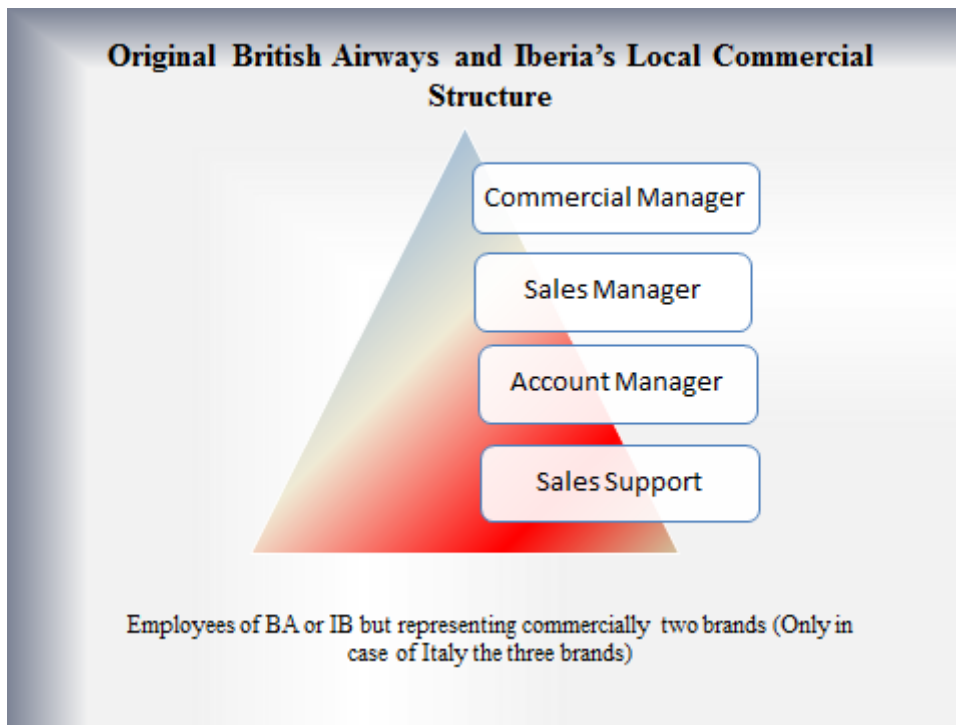
8 – Began a new joint ancillaries and extended loyalty combined products (Hold for bookings or pay with Avios)

Figure 18 - Integration of IAG Commercial Teams in Europe



Source: Author

Figure 19 - Original hierarchy of commercial teams in Europe



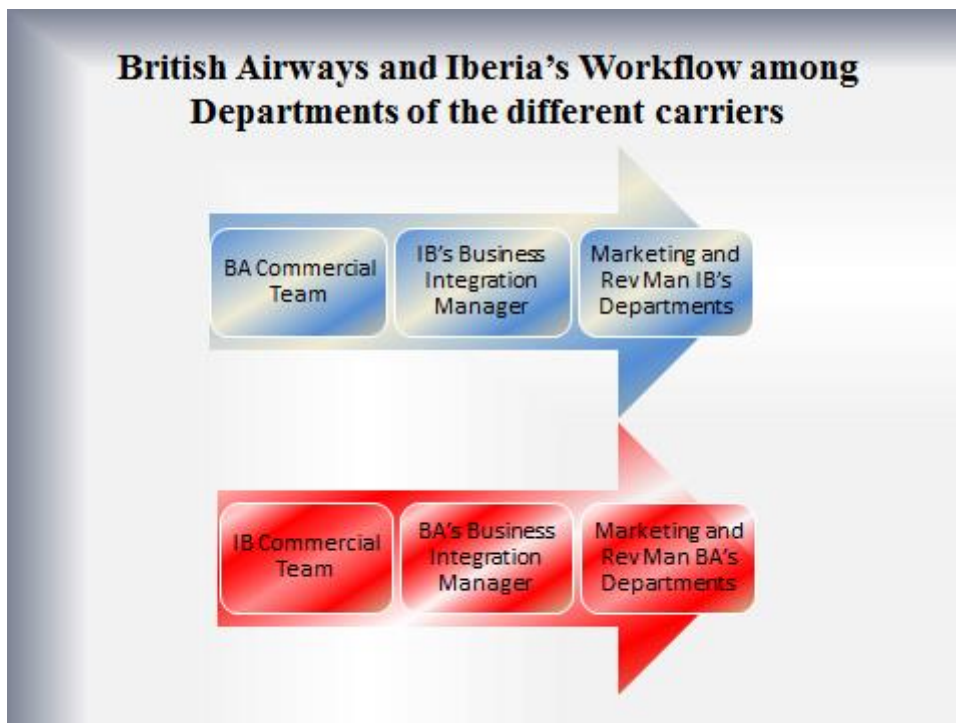
Source: Author

As commercial teams were integrated in all markets central teams were also restructure. It is important to mention that the interaction of the sales teams come along mostly with marketing and revenue management teams. As IAG is to maintain the brands as independent the three airlines continue to have centrally marketing teams for each brand. Therefore, across integrated markets if a British Airways sales team needs an input from Iberia's marketing team it will have to contact the central team based in Madrid. The same thing happens with the need to work along with Revenue Management teams. On the other hand if an Iberia's integrated team needs support from BA it needs to contact BA's marketing or revenue management team.

Due to the fact the commercial teams actually belong to one of the carriers and not to an impartial IAG commercial team it is hard for teams to actually know their counter parts in the other carrier and therefore the position of Business Integration Manager was created in several regions. This figure helps to maintain the contact, communication and creates the bridge between the sales teams and the other carrier's departments.

With the integration of the Business Integration Manager sales teams should refer to this figure to communicate with the other brands departments and help elaborate a workflow between the sales team and that of the other brand. For example, a market that is commercially led by Iberia (such as Portugal) if the commercial Iberia's team should have a need from marketing department of British Airways their way of contact should be through the BIM of BA for Portugal. Ideally in the near future and with the integration of SFA/CRM across other departments, such as marketing and revenue management the request should all be managed through these systems. This would be a great advance for the interaction of the departments, quick response among the companies and also a horizontal way of communication and interaction among all sectors of the IAG group. In this way the BIM should not only be a communication bridge between the brands but should be an integrated member of the new commercial and sales multi-branding teams.

Figure 20 - Workflow between commercial department of one carrier and Marketing and Revenue Management departments of other carrier



Source: Author

Though the BIM should become part of the new integrated commercial teams and should not be only a bridge of communication between the brands. The BIM should act as a brand champion for the carriers that are not primary in the market

providing expertise and support to the team to ensure brands and products are used effectively in the market. He or she should design, monitor and refine sales plans to optimize performance of the defined portfolio for the other brands; should ensure local market and competitor insight to support central net pricing and dealing decisions; optimize performance of the defined portfolio across all relevant carriers of his responsibility; develop portfolio sales plans identifying key share and yield opportunities in coordination with local commercial management; Collate market intelligence, benchmark on competitors product and identify our product advantages, parity and challenges; deliver product trainings to sales teams for the carriers that are not leading in the market; support account managers through sales process when specific portfolio's expertise is requested; contribute to account managers' targeting and performance; needs to analyze what products the group has and how the current customer segments use the products and where identify opportunities to improve yield and/or volume; The BIM needs to work with the sales team to build a sales plan to drive the opportunities forward by customer segment and by channel. Provide the sales force with relevant sales collateral understandings such as schedule and product strength and key selling points.

Operational support to agencies and passengers is still done separately in all markets of IAG. Just like its main competitors IAG has an outsourced supplier to provide clients with this service. For travel agencies the support is given for technical issues and doubts agencies have with fares and tickets. For travelers it represents information regarding flights, frequent flyer programs or any other doubts and questions they might have.

In the case of IAG the three carriers have different suppliers and therefore different call centers for each brand. It is important to mention that for example the trade partners with Iberia have to contact call center with e-mail and with British Airways the service is provided through phone call. This transmits to the market a lack of synergy and ability to actually work in the same way with the two brands. It is important therefore to unify processes as this could also mean a cost saving synergy to negotiate with suppliers.

2.2. Distribution Channels

Agencies make their bookings through what is called GDS systems (Global Distribution Systems). The most known GDSs in the world are Galileo, Amadeus and Sabre. Airlines pay millions of Euros to have their inventory and prices in these systems and on the other hand agencies also have incentives from GDS for the quantity of bookings done through these systems. This is the most important platform of bookings between trade and airlines. For many years LCC avoided the usage of GDSs to distribute their inventory but even though the costs are quite high they have, in the last years taken a different approach and have now joined GDSs also to distribute their sales. Of course this had a direct impact in their sales as travel agents had available these carriers in their most used tool for booking flight. In the specific case of IAG and its main competitors all airlines distribute through GDS systems their seats in their aircrafts.

Apart from GDS and the indirect sales through trade, airlines also have their direct sales channels. These direct sales channels can either be on line or off line channels. Online channels are those sold through internet and that are usually the web pages of the airlines such as ba.com or Iberia.com. Though in the future social network platforms are also being analyzed to become online booking tool that do not only interact with the public but can be a mean to achieve more sales. The offline direct channels are those that are still managed through people management on the airline's side. As an example you have ticket desks such as the ones still found at many airports, ticket stores like the one you can find in downtown cities and finally through call centers direct lines where passengers can call to make their bookings. Even internally airlines use the GDS system to make their direct sales which increase the cost of selling even through direct sales. (NAWAL K. TANEJA, 2014)

2.3. Account Managers portfolio division

Depending in the market and the size of the commercial teams the portfolio of the accounts can be divided usually by type of clients: Trade and Corporate. Trade account managers are usually responsible to deal with trade agencies and manage the commercial relations with these types of clients. Corporate Account Managers are usually responsible for corporate clients and also manage the relations with BTCs and TMCs. With this split division of the portfolio, account managers become very

specialized in one section of the market and corporate account manager are able to control their corporate accounts through both the direct relation with the company but also through the BTCs/TMCs that account might be using.

In large European markets such as Italy, France or Germany a mixture of a geographical split has also to be applied. Taking as an example the Italian market there are two major geographic areas North and South and a geographical split can be made, for example between Rome and the south of the country and Milan and the north of the country. In this example, the teams are first divided into regions and then segmentation by type of client is applied. The commercial structure has a corporate and trade account manager based in the north of the country and the same for the south.

In smaller markets such as Portugal, Belgium, Luxemburg the geographical and split by client might not be the ideally model. These markets are so small that a mixture portfolio division might be the right option. In smaller markets commercial teams divide the portfolio equal share in terms of revenue and number of accounts. In these markets account managers are more adaptable able to work with the different segments of the market and also knowing the different specification of each segment.

3. The interaction and communication between departments

Commercial teams among airlines have important internal stakeholders that have to lead with in a daily basis to meet client's needs and to promote their brands the best way possible. Let's just not forget that in case of multi branding teams they have to interact with these departments, times the number of brands they represent.

3.1. Revenue Management

Revenue Management or also known as pricing department are the group of people that build the pricing structure of an airline and also the group that controls the inventory management of each flight and cabin depending on the number of bookings that flight is getting. In general terms all airlines apply the same tactical model and that means as flight and cabin increases the number of ticket sales, lower booking classes start to close and prices become more expensive. The same principle applies as date for flight becomes closer in time. In that case most airlines also apply the principle that travelling last minute is more of a real necessity such a business travel and therefore, flights become more expensive when booking closer to date. This also brings into

airline strategy for clients to book and issue tickets in anticipation and revenue coming in sooner into the company. Leisure travel on the other hand is more sensitive to price and also have the flexibility to book with more anticipation so therefore lower prices are applied to those who book further away in time from their flight. In general terms these are the basic concepts of most revenue management departments of all airlines. This model contributes to the fact that on any given plane there will always be passengers seating next to each other who paid very different prices for the same product – a seat in the same cabin in the same flight. Different seats have different values, on different flights, on different days and based on the dates and conditions under which the ticket and fare is purchased. Therefore airlines have the need to offer customized products and services using customer insights and offer dynamically adapted fares and ancillaries. Ancillaries are services that can be provided in addition to the core product as for example seat location, lounge access, on board wi fi etc. (NAWAL K. TANEJA, 2014)

Account Managers interact with revenue management departments in several aspects. First of all they are the main source of information through client's approach and negotiations to bring into the company information regarding competition actions. In GDS systems travel agents are able to visualize what all airlines do and airlines can monitor each other's prices and inventory level. Though, it is with private fares that account managers have a key action point. Private fares are also loaded into GDS for sales but these dedicated fares are loaded or available to specific travel agencies for a specific client need. Let's take as an example a corporate client. Airlines have dedicated fares for specific corporate clients. Most airlines present to corporate clients discounts on their public fares. These fares and discounts are applied and discussed in negotiations with the company and depend on many factors such as internal guidelines of the carrier, corporate need on routes, travel policies and of course on revenue levels that the corporate can guarantee to the airline. These fares are private fares that are only loaded in those agencies where the corporate client desires. If corporate XXXX books their travel through agency YYYY then those fares will only be available to such agency. In these specific cases revenue management departments do not have access to competition's level, so therefore it is important for account managers to know how to negotiate correctly with client but also internally with its colleagues from revenue management in order to have authorized the best fares for the corporate XXXX.

This kind of interaction with pricing happens almost in a daily basis as airlines have more and more available fares dedicated to specific market segments such as corporate fares, tour operator fares, marine fares, humanitarian fares, visit family and friends fares (VFR) and so on. Therefore, depending on the need of the client, account manager has to constantly interact with revenue management to try to obtain the best levels of fares and the best product type for the clients and in that aspect meet client's needs the best way possible.

In the specific case of multi branding groups revenue management teams are still dedicated by brand in all groups. AF has a specific revenue management department and KLM another and Transavia another and the same happens in IAG and Group Lufthansa. This of course makes account managers job a lot more difficult because they have to negotiate separately with each department. Lets take the same example with corporate XXXX. It is assumed that this corporate has a specific need to travel to Rio de Janeiro. If the amount of trips are enough to establish a corporate deal, the account manager will have to contact the revenue departments of all brands in the group that fly Rio. If this was an IAG multi brand account manager than it would have to contact both Iberia and British Airways revenue management departments.

The reason for these groups to continue to maintain separate revenue management departments is because the brands continue to have their specifications in terms of product, services, capacity and frequencies. Also, they have to monitor in a close way the hub pricing of the specific airline. Here again as an example, the London Heathrow hub for BA does not have the same amount of competition as the Iberia's hub in Barajas. The two airlines continue to have different product on board with different specifications with different home market demands. It is therefore important for this segmentation in brands to continue for a better control of pricing.

3.2. Marketing

Also the marketing departments in headquarter airlines continue to have segmented marketing teams. Here the importance of culture in aviation plays an important role for this division. As mentioned before, the BA and IB represent very strongly the identity and culture of each home market, Spain and United Kingdom. They are also one of the main exporter companies of those countries and they fly around the world the image of the culture of those countries and people. Iberia's new image

and marketing teams are creating a more Spanish image into the company. The new logo maintaining its Spanish flag colors yellow and red continue to bond the airline into the Spanish culture.

It is clear that the airline's marketing policies must clearly reflect the structure of its home based market and therefore build an image and background against the based marketing environment. In this industry perhaps even more than in any other the PESTE model of marketing should always be applied. This model takes into consideration the Political, Economic, Social, Technological and Environmental aspects. For example airlines cannot develop marketing policies independently of a range of political decisions. The industry has always been and continues to be extremely political as for example terrorism fears and political instability. It is also important for airlines to exploit favorable economic circumstances and know how to overpass unfavorable ones such as a general growth in global economics affects directly the airlines. Social issues such as demographic trends, changes in fashion holidays or changes in family structures will also become significant in the future. Technology provides both exciting opportunities and challenging today such as the increase usage of video conference in other industries or on the other hand the increase of new aircraft developments with for example less consuming fuel. In the meanwhile problems associated with the environment such as crude levels may threaten the whole future of the industry. (Shaw, 2012)

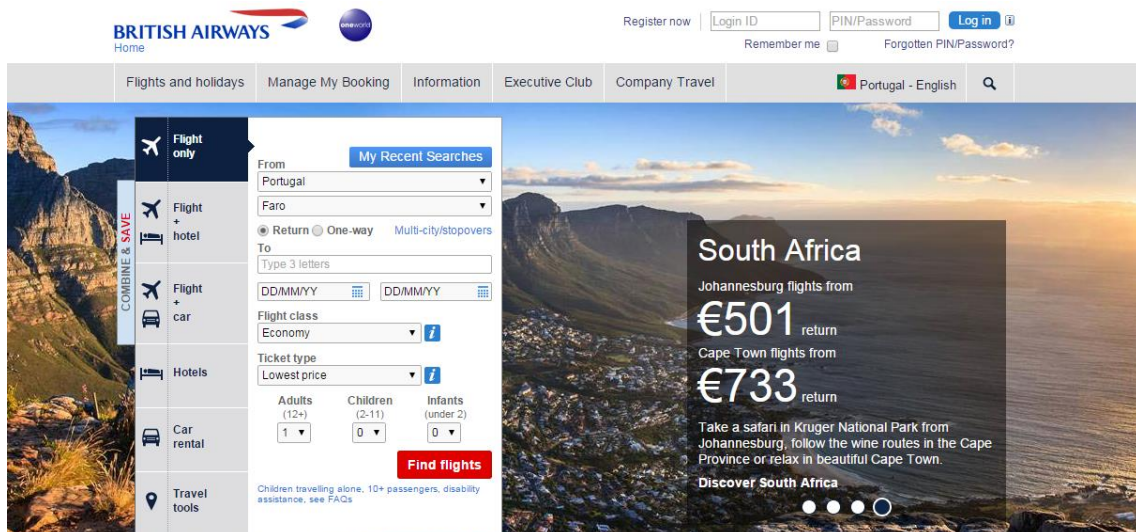
In this case commercial and sales departments also have to deal with different central marketing teams. For example, Iberia launches a specific pricing offer for a destination such as Buenos Aires, even though British Airways also flies to Buenos Aires they might not have the same need to launch that same offer due to flight load factors. In this case Iberia's marketing department would work on a specific communication only related to Iberia and send flyers, advertisements campaigns, clients communications only linked with Iberia's image. Account Managers have then to relate to these departments differently also. Here are two specific examples of offers by both airlines British Airways and Iberia:

Figure 21 - Iberia MIA Campaign



Source: www.iberia.com

Figure 22 – BA South Africa Campaign



Source: http://www.britishairways.com/travel/home/public/en_pt

3.3. Customer Service and Engineer

Engineer department is probably the one with which commercial department less interferes. They are responsible for all the maintenance, safety and security of aircrafts but the commercial department has little interaction with this departments even though it is important to keep an update information and interaction communication among all sectors of the companies. Such information as new aircrafts being ready to fly with new products on boards such as new chairs, beds, Wi-Fi, entertainment is important for commercial teams to know about.

Customer services are the teams that work at airports and relate directly with passengers at airports all over the world. These teams are more and more, subcontracted companies by airlines but many supervisors continue to be airline personal. Commercial teams interact also frequently with teams at local airports. Customer service are faced many times with operational issues and it is important that a feedback is passed to commercial as for information regarding flight cancelations and delays, daily issues that in the operational part cause disruption in the operations and customer dissatisfaction. It is therefore important to have a two way street of communication between operational teams and sales teams.

Teams in call centers that provide point of sale service are also considered part of the customer service departments and in flight service of course is also part of the customer service.

3.4. Customer Relationship Management (CRM) – Salesforce.com

A CRM tool such a salesforce.com or any other would of course bring closer all interaction between departments that need to be in contact and in communication with sales and commercial teams. This tool should be common to all brands of any group. This would of course facilitate the communication among the revenue management, marketing and customer service. Also it could bring together the markets to work more homogeneously. The time of reaction to any client need should also decrease as commercial teams have one common tool to communicate with the other airline stakeholders. It is therefore important to develop such systems for these groups. This could also mean the total integration of commercial teams even for those groups that do not include in their commercial teams a common sales team for their LCC.

4. The Questions

1 - Build a qualitative SWOT Analysis of the IAG Group

2 – Summarize and compare the Commercial European structure of IAG and its Main Competitors (Group Lufthansa and AF/KLM)

3 – According to question 2, the merger and the future strategic objectives of IAG present an ideal commercial structure for the group for a British Airways leadership European Market.

3.1 – Discuss the importance of the BIM in this new organization, define Job purpose and accountabilities and justify your answer.

4 – Imagine you are a Sales Manager in IAG and you have the responsibility along with Human Resources to recruit a new Account Manager for the new IAG European Commercial Team you have just built. Elaborate the Job Profile for the recruitment of this new person.

5 – Build an ideal Workflow and Communication between Commercial Teams, Revenue Management Teams and Marketing Teams using CRM Tool (salesforce.com) for the new organizational structure you have just built.

6 – As a Sales Manager of the new integrated team develop the training and development program of the multi brand Account Managers of your area considering the cultural values of each brand and group IAG. Justify your answers.

5. Academic Objective

5.1. Focus Groups

This practical academic case is dedicated to:

- Students in Executive Masters of Sales Management, Classes in Marketing and Marketing Management courses dedicated to Sales, Classes of Civil Aviation in Bachelors or Masters of Tourism and Aviation Management courses
- Professors of Classes in Civil Aviation in Tourism, Sales Management or Classes of Sales in Marketing Management that pretend to evaluate students with practical and realistic cases
- Middle Management and Consultants that work in the Aviation Industry or are involved in restructure of commercial teams in a multi branding environment of sales teams

5.2. Objectives

- Acknowledge students of Tourism area of the importance of Aviation and its impact in the Tourism Industry
- Acknowledge the recipients about the importance of restructuring the aviation industry and the ability of airlines to adapt due to the changing environment the sector is having since the appearance of LCC
- Help recipients to acknowledge information about the following topics: Sales Management, reorganization of teams, Profile and Skills of Sales teams, Training and development programs, CRM and SFA in multi branding and cultures
- Take this practical case and apply it to other airlines and situation such as TAP merger with Azul

5.3. Delivery Plan

Session	Academic Objectives	Previous Preparation	Delivery Plan	Time
1	<ul style="list-style-type: none"> ✓ Present the Case 	<ul style="list-style-type: none"> ✓ Read, Explain and Literature of the case 	<ul style="list-style-type: none"> ✓ Deliver Case to Students, Present the Case with Visual Aids like Videos and Slides 	1 Hour
2	<ul style="list-style-type: none"> ✓ Analyze the European Aviation Industry; ✓ Explain the case ✓ Multi Branding Sales Teams ✓ Organization of Sales Teams ✓ Brands and Cultures ✓ Training and Development ✓ Communication and workflows in multi functional teams 	<ul style="list-style-type: none"> ✓ Analyze IAG groups and the competition ✓ Identify the brands of each group and segment them 	<ul style="list-style-type: none"> ✓ Identify the need for the creation of multi brand sales teams; 	1 Hour
3	<ul style="list-style-type: none"> ✓ Solution of the case with academic subjects put into practice; ✓ Discussion about the different solution presented to the case 	<ul style="list-style-type: none"> ✓ Preparation of the case by students and professors 	<ul style="list-style-type: none"> ✓ Present the solution of the case; ✓ Debate the different solutions; ✓ Look into the future and analyze future situation in the market 	

6. Literature Review

According to Shaw, airlines take a numerous of initiatives in order to achieve their sales, profitability, revenue and market share targets. These activities include for example incentive deals with travel agents, access to net fares for specific niche markets, agreements with Global Distribution Systems (GDS), online ticket sales, frequent flyer plans, sales agreements with corporates, loyalty programs for SME, global corporate deals, alliances and code sharing. A commercial department has to control all these areas of action and in a multi branding environment it has also to do it for several brands. (Shaw, 2012)

6.1. Brands and Cultures

Within any business where a product or service is being provided to clients the brand is what the company is selling. In order for a strong brand to prevail it is essential to align the branding and the business strategy of the corporate. The brand is part of the active of any company. It is part of the competitiveness and stability in the market. In any case the brand has its functionalities towards the market and the consumers. **“First the brand is seen as a contract.** The consumer creates a relation and idea about a brand”. In the specific case of aviation these brands also transmit the cultural values of countries, especially in the European market where legacy carriers were for so long public companies managed by governments. **“Second the brand identifies.”** In a general way the brand or image identifies its products and or services. In the airline business the same thing happens. **“The last function of brand is to differentiate the brand and give them sense.”** The brand when used in the correct way establishes the right price to pay for the product.” In the airline business and with the appearance of LCC brand has also been associated with product, service and most importantly in this industry it is also related to security and safety of the passengers. Travelers recognize and expect services from a carrier like BA and IB that do not expect from Vueling. Though they are all part of the same group but the brands have differentiated themselves and targeted different segments of the market. (Lindon, Lendrevie, Lévy, Dionisio, & Rodrigues Vicente, 2013)

In order for any brand to establish itself strongly there are characteristics that need to be defined, analyzed, studied and applied: choice, consistency, differentiation, experience, relevance, trust and being able to deliver brand promise. This last point is

the one that can most affect any brand especially within the aviation. When travelers buy a First class ticket that can go up to 20,000 Euros their expectation of the product and service which they pay to use only for a few hours may not be defeated or let down. These are the clients that legacy carriers want to come back and this has been the clear target of the Middle East carriers that have come so strongly with brand and service into the European market. These carriers have been able to establish themselves stronger than the European carriers and have in fact won most of the prestigious awards in the industry in the last years. LCC positioning themselves on the other side of the spectrum have been successful in offering a clear value proposition among themselves. Ryanair, for example, differentiates itself not only from Vueling but also from Easyjet. Even though in the last few months Ryanair is entering the corporate travelers segment with a special focus on groups and incentive travelling with added product features most customers choose this airline for the extremely low fares within a safe and security spectrum for its clients. With almost opposite differentiations of their products both Middle East carriers and LCC have created strong brand awareness all over the world.

Brand messages transmit to customers what companies want consumers to view. Though many times brands struggle to tie the view of themselves to the view the customer has of the brand. Inside Europe even though carriers transmit strong cultural values many times the true message is not passed and not delivered to the final client. In order for the message to pass and for the brand to transmit the correct idea it is essential that the whole company is committed to the brand, there is integration of brand and business strategies, allocation of resources to transmit the message in all fronts, and monitoring the outcome of the messages and act upon any deviations. It also interesting to analyze the message created by brand message created by Emirates. This carrier has built an international reputation around the world maintaining its Arab cultural features. Emirates recruits cabin crews all over the world with more than 135 nationalities and 55 different languages. It has built itself as a global airline and has done that also by sponsoring teams from different sports all over the world and in almost all markets it operates in. These sponsorships are a way to communicate, interact and build relations with its customers. (NAWAL K. TANEJA, 2014)

For this matter and because of the cultural weight that the aviation industry carries it is also important to mention that brands also have its psychological identity which is transmitted by personality, territory and values. The personality of a brand

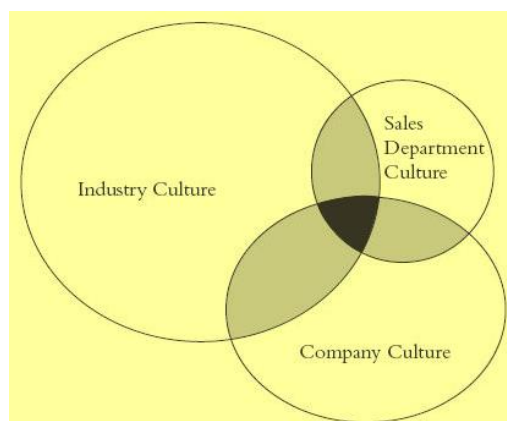
shows the psychological aspects of that brand. All communications build up the complete personality of each brand and customer's associate each brand with its aspects. In all aspects the personality should be kept as simple as possible. In the aviation industry for example Group Lufthansa is known for its short connections through the hub of Frankfurt (45 minutes from one flight to another), and even though it is a very short time for connection of flights, in one of the largest airports of the world, this hub is known to work perfectly in transfer flights and never fail as in the good German way. The territory is the space of the market where the brand is known. In aviation this translates itself to those markets where airlines usually fly into. For example, Qatar Airways is a well-established carrier with a Global Network and one of the strongest competitors of Emirates. Though, in the Portuguese territory they are not one of key players as they do not have any kind of operation to or from Portuguese territory. Finally the cultural values of a brand are the base of the pyramid in order to understand a whole corporation. "The culture of the brand leads us to the culture of a company." In this aspect it is important that all communication is based in the fundamental values of the brand and the company. In the aviation this message is carried out throughout the world also identifying the brand with the country and culture, which influences greatly the tourism that each country may receive. If we look for example at TAP slogan "With arms wide open" this also transmits the way Portuguese people receive their inbound tourism and welcome people from abroad. This TAP campaign along with a strong marketing campaign of Portugal and the entrance of European LCC into the Portuguese market has put Portugal (especially Lisbon and Porto) to be one of the most visited European countries and to be in several rankings as one of the best places to visit. (Lindon et al., 2013)

Multi brands groups (Subsidiaries, Alliances, mergers & Acquisitions) have come very rapidly into the European aviation industry. The branding element has become complex due to the agreements of subsidiaries, codeshare flights, alliances, mergers & acquisitions. With subsidiaries parent companies should be careful on how they should act. Customer's expectations might be the same as that of parent company and it is therefore important to clearly communicate the new product and service and position it in the correct way. In the case of codeshares the expansion had been so great that airlines codeshare with brands that have nothing to do with one another in terms of brands. In this subject it is always clear even with the introduction of E-tickets that the

operating carrier is always informed, and even though the majority of passengers do not make a difference between the operating carriers it has been studied that high yield passengers do chose their flights according to the operated carrier and the service provided on board. With alliances and mergers and acquisitions the strategy depends in what part of the globe you are and what home markets the carriers belongs to. The merge in the US market between US Airways and American Airlines has dictated the disappearance of US Airways. The whole company will be transformed into American Airlines, but then is not all America? The merges among European carriers has proven correctly that the brands should continue independently transmitting to customers the best brand awareness for each one.

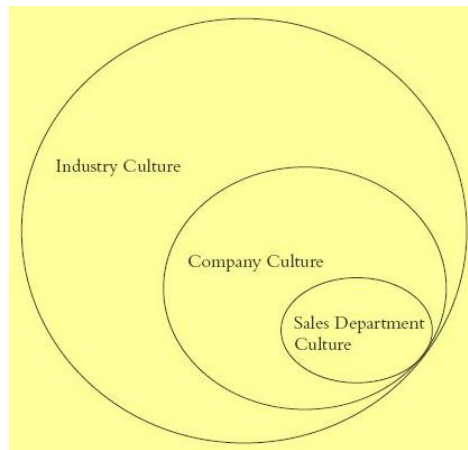
According to Schwartz culture is still a complicated issue within any corporate. It relates to the overall feeling that one gets when working in a particular industry, company or department. In the first figure it is represented a misaligned culture factors of industry, company and sales department. While in the second figure it is represented an alignment of the culture and where the three merge together. Unfortunately in most cases the cultural misalignment is a reality. Of course that when there is an overlap of the cultural principles there is a much greater chance of success.(Matthew Schwartz, 2006)

Figure 23 - Cultural Misalignment



Source – Fundamentals of Sales Management by Mathew Schwartz

Figure 24 - Cultural Alignment



Source – Fundamentals of Sales Management by Mathew Schwartz

In order for the alignment to happen it is important to focus on questions at the different levels:

Industry: is or not a conservative environment? An analytical type of business or a creative industry?

Corporate: how does communication happen? Is corporate culture defined by the organization? How do performance management and reviews happen inside the company? (360, one to one, peer review)

Department: Is there a great deal of interaction among departments? Differences and similarities among departments?

This misalignment often happens in large and especially multinational companies with several brands, several smaller corporates and several business units. Of course the alignment of culture is a key factor to success and therefore sales departments should make an effort to align themselves with corporate and industry cultures. Therefore it also important to obtains strategic answers and guidelines for the commercial departments: How is sales viewed by the company? Are resources limited or in abundance? What level of detailed is needed in business cases? What is the level of collaboration among sales and other departments? Do human resources support training, reward programs, hiring etc.? It is important to answer such questions inside the sales department and align these answers with those of the company and of the industry.(Matthew Schwartz, 2006)

Airline Teams and the culture they embrace is another point that adds to capacity and to focus according to Alex Cruz CEO of Vueling as mentioned in the book of Taneja. Airlines with strong, consistent, clearly articulated cultures have led the market places for years. The nature and the tone of the specific airline culture could be debated but the ones that have managed to transmit their cultural values are the ones that have survived. In addition, industry consolidation has resulted in groups with multiple internal cultures which have been properly addressed both externally to the clients and also internally to the teams.

6.2. Organizations of Commercial Departments

According to Luis Justino in his book *Direcção Comercial* the organization of the sales department can be done by territory, by clients, by product or a mixture of these three factors (Justino, 2007)

Territory: In this case the base of the sales organization is based on a geographical area. This geographical area can be considered a state, region, district, brick or another form of geographical area.

Client: in the division by client salespeople are assigned according to the type of client. This type of segmentation is necessary when clients have similar needs or similar buying processes.

Product: The specialization by product is mostly applied in industries and firms where there is a very wide differentiation by type of products or complex products. In this case each sales people become an expert in one specific product knowing a lot but only about one product.

Mixture: In many cases sales organizations combines two or more of the above areas. For example a company can be organized geographically though due to the complexity of its product can also be organized inside that same territory by product.

Though there is also another factor that may be used in the organization of client portfolio which is **specialization by missions**. This consists in the specialization of concrete objectives by sales teams. For example the sales department could have specific people to only capture new clients. Also we can specialize sales people in large accounts and this function is usually performed by key account manager. The size and

dimension of a large account depends on the size of the company, the market and the internal market share the client represents in the company's revenue.

A good organizational plan should focus on three major goals:

- 1) Measure the benefits it can be derived from the proper division or specialization;
- 2) It should provide for stability and continuity in the firm's selling efforts;
- 3) It should produce effective coordination of the different departments between the various activities assigned to different persons (Winston & Carter, 2013).

6.3. Profile, Skills and Roles of the Sales Representative

Salespeople perform the key role to make sales and generate revenue of their employers. They are from that point of view **financial contributor**. Salespeople are also **change agents**, meaning that when included in all other processes of the company they are expected to create changes and make positive things to happen. Here they are the best feeders for innovation and improved practices. Their role is also to act as a **communication agent**, as they are involved in the two way flow of information between the market and the company. Finally as one of the most important roles salespeople are **customer value agents** as they impact the value received by the customer. They provide additional opportunities to customers by solving problems and providing ongoing value added services to the customers. (Ingram et al., 2012)

Recruitment and selection processes are built upon the need of the corporations. Mergers and acquisitions are processes that make companies go through these processes and therefore a layout of planning activities should be built. This planning activity should be worked on through a job analysis, preparing job qualifications, completing a written job description, establish recruitment and selection objectives, and work on recruitment and selection strategy. These should be overlooked with company's objectives, strategies, resources and constraints. In other words the job analysis indicates what the salespeople are supposed to do on the job. To ensure the need of the sales job, the sales manager needs to update the job analysis which consists to identify the tasks, duties and responsibilities of the job. As an example will the job consist of opening new accounts or maintain relations with existing accounts? After that

the job analysis is done it is then important to deliver the job qualifications and this refers to the characteristics, aptitudes, skills, knowledge, personal traits and willingness the sales person should have. It should have such details as sales experience, educational level, and willingness to travel, interpersonal skills, and organizational skills among others.

Based on the job analysis and the job qualifications a written job profile is completed by sales managers and human resources. Job profiles should therefore contain the following points:

- 1 – Job title
- 2 – Duties, tasks, and responsibilities of the salesperson
- 3 – Hierarchy relationships indicating to whom the salesperson reports and interface with other departments
- 4 – Type of products and brands to be sold
- 5 - Essential Capabilities (skills/experience/qualifications/expertise/behaviors)
- 6 – Customer type
- 7 – Job related demands such as travel requirements, environmental pressures

The order of these points can vary and be decided upon the importance each company gives to each of them, but in general terms points 1 and 2 are at the beginning of the job profile followed by all other points in a random way and according to each company focus point.

Recruitment is then locating a number of prospective job applicants. The recruitment can therefore be internal or external and the final step would be the selection process. Selection is therefore the process of choosing which candidates will be offered the job.(Ingram et al., 2012)

In the airlines due of the distribution channels of airlines sales representatives need to have market intelligence, strong negotiation skills and a strong ability to perform customer relations role. These people do not only sale a tangible product and therefore they need to create strong long lasting relationships with a small number of

clients. Travel agencies and corporate accounts are the two main clients in which the sales teams need to focus. The signing of an initial deal is the beginning (and not the end) of the relationship with the client. Sales people in the airline industry never close a deal after only one meeting. Therefore many times they need time to reach the right decision maker. Sales Executives need to accept the challenges of a rapidly changing marketplace. They also need to collect market intelligence data of the competition and negotiate both corporate and trade deals. Apart from market intelligence and negotiations roles account managers is also expected to carry out an important customer relations role.

In order to fulfill all its roles the executive must have a serious of skills and characteristics to perform its job properly. The person should be articulate and persuasive. It should also be of clean and tidy appearance.(Shaw, 2012)

In order to have a perfect candidate for these multi brand sales teams it is necessary to have a perfect job description, with specified skills and characteristics and highlighting important points about the individual. Both expertise and skills are important factors in the selection process but working in a multi-cultural environment with different brands, different teams and different cultures it is even more important to have someone with a great process of adaptability. Therefore Sales Representatives should be proactive, have a strong influencing and negotiating skills, have capacity for significant and constant process changes, ability to prioritize and focus in delivering targets and results, it is also important to have strong analytical skills, be a good communicator and speak English and an alternative language, have project management skills in order to cooperate with the continuous changes inside the group and of course it needs to have the ability to operate effectively in a diverse multicultural environment.

It is also important that new sales representative bring already some expertise and specialist knowledge such as the ability to inspire, lead and motivate people, have excellent planning skills, great influencing skills, results oriented, energetic and proactive, be organized and with excellent time management, outspoken and build strong network inside and outside the corporation, cultural awareness and understanding, interpret political and economic trends and understand impact of the different aspects in the different brands, update and follow multi branding deal, and finally planning, organizing and supporting multi brand trade meetings and events.

The person should have a multi-cultural background and be very prepared for constant changes and adaptability should be one of the strongest personal characteristics of the individual.

6.4. Functional Teams and Departments

In the Airline industry the sales team needs to work along with two other departments of the company: Marketing, and Revenue Management. Therefore the interaction between departments is mostly important to achieve targets. Glen M. Parker gives a perfect theory about Cross Functional Teams. Cross Functional Teams are most effective in companies with fast changing markets such as pharmaceuticals, communications and computers. We can also include aviation. These are industries that value adaptability, speed, customer service and responding fast to customer needs. In this aspect the commercial airline industry will have to apply the concept of different teams working together from different departments and in or specific case for even different brands. (Parker, 2003)

Good coordination between sales and marketing activities is important for a firm to service its customers and compete effectively. In the aviation industry revenue management should also have a clear feedback from sales people. It is through them that private fare levels and conditions come to pricing knowledge. These three departments have to be totally coordinated. For example, when revenue management decides to put an offer in the market, the marketing department should work on its communication and advertising campaigns and the sales force should be prepared to take action with distributor and corporate clients to develop joint campaigns.

Even though theories focus more and more on horizontal organizations most companies still maintain a vertical hierarchy and this also applies to its commercial departments. Two basic elements must be answered when creating the structure of a sales organization:

- 1) How many levels of sales managers should exist?
- 2) How many people should each manager supervise?

Of course these answers depend on the size of company, territory to be managed, number of salespeople to be managed, how complex the sales task is and the profit impact on the corporation.

Among the sales departments we can find different people performing different functions. Therefore Functional Sales specialization can also be used in our future model. Certain selling activities require specialized people in commercial departments. For example many firms are using telemarketing sales force to generate leads, monitor deliveries and perform other routine activities that are not performed directly by account managers(Ingram et al., 2012). In the specific case of the airline industry the sales support role is a great aid for the sales representative. Their function is to aid with commercial activities in daily issues of the clients.(Ingram et al., 2012)

In the book Sales Management Analysis and Decision Making mentions that the internal changing environment of companies present to salespeople one of the most challenging obstacles they have to face. Mergers and acquisitions, introduction of new products, expanded product mixes and the complexity of sales operations had to bring firms with special focus in sales organizations. As explained before in the aviation business this is a very complex internal environment. (Ingram et al., 2012)

In this same edition the authors summarize that the best sales organizations need to have seven essential points:

- The whole sales organization needs to have a customer driven culture and sales operations and marketing strategies need to be aligned;
- Firms need the best talents for the sales organizations therefore recruitment, hire and retain those talents is vital to business;
- Train, coach and leverage the right skills in the all sales hierarchy;
- Focus on key strategic issues and segment accounts providing differentiated tailor made offers in order to find, win and retain customers;
- Develop and implement a formal sales structure based on relationship building processes with an emphasis on continuous improvement;
- Use technology in an effective way to learn about customers, build market intelligence, and enable the salespeople and sales manager to success;
- In order to deliver superior customer value it is necessary to integrate with marketing strategy and an excellent sales operation process;

6.5. Customer Relationship Management (CRM) & Sales Force Automation (SFA) Tools

Customer Relationship Management (CRM) has changed tremendously in the last years. Maintaining continuous relationships with customers, building long term connections, developing appropriate relationships with customers to create long term profit is the theoretical basis for CRM. CRM is about the way corporates communicate with its clients and transforms a transaction based selling into a relationship based model that focus on the conquest, development and retention of profitable customer relationships. Many theories agree that when CRM fails it is many times due to cultural issues and not technological ones. In our case this is a point that we will have to develop in depth due to the diversity of cultures the account manager has to work with. The ultimate goal of the CRM is the customer and the customer satisfaction.(Baran, Galka, & Strunk, 2008)

SFA is the technological tools or techniques that aid or enable to build the customer relations. In the last years several SFA have been implemented in corporates around the world including airlines. SFA are used to help the whole sales process. They help sales force to become more effective, efficient, increase sales and help build the long lasting relationships companies are looking for with customers. SFA tools also help the communication among the different departments of the company. Marketing people can publish their campaigns so that people from different departments can visualize them. Revenue Management people can inform about future offers, price changes or guideline policies. This cross communication among departments will help the whole organization to focus on the most important factor for long term relations with clients which is customer satisfaction. In our specific case it also connects the different markets and regions around the world in order to exchange experiences, ideas and all type of data and information relevant to company. For the commercial departments these tools support the selling process from the starting point where a lead is detected to closing a deal. (Tao, 2014)

Therefore, the technology for SFA and CRM depends on their characteristics. SFA comprises routine sales processes and functions. CRM technology helps account managers develop and structure methods of sales and customer strategies. Though, we know that for sales representatives to build, keep and strengthen relationships with

customers both routine tasks and strategic plans have to be applied. In this sense, technological tools have been developed and wrap up all aspects that help build CRM (Daily Tasks, Communication between departments and Sales and Customers Strategies).

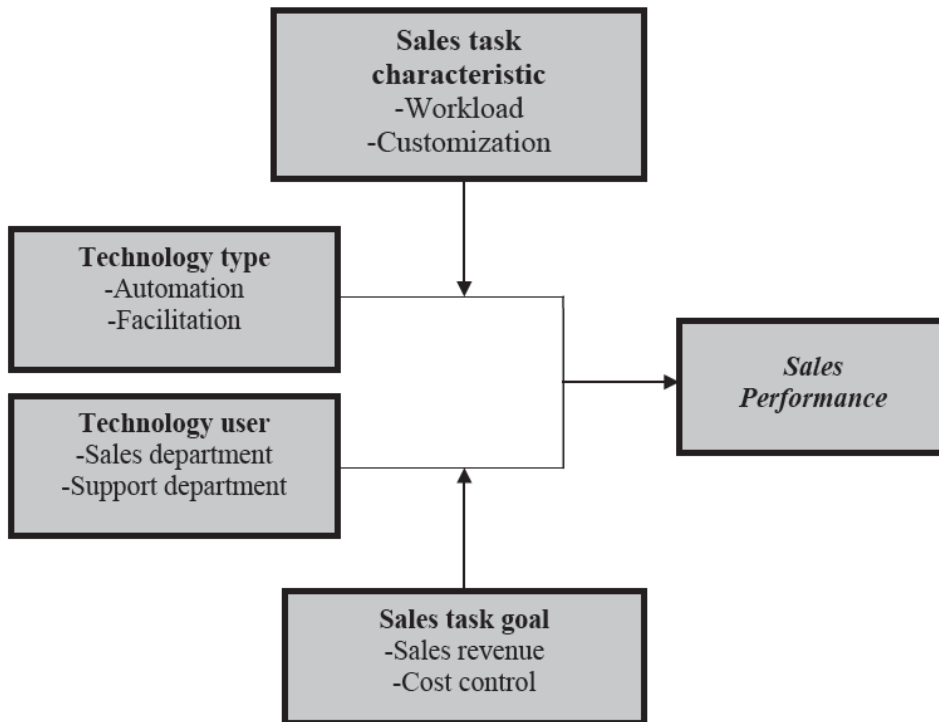
In the market there is technology that combines both CRM and SFA systems to control both clients activities by sales teams but also serve as platforms of interaction among the different departments and creating communication channels among departments, regions and products. In the airline industry salesforce.com is taking the lead market in this kind of technology and is now being used by several airlines such as IAG or Emirates. Some other groups have decided to create their own SFA and CRM systems adapting them to their internal needs. In the case of salesforce.com the tool serves as a common platform and therefore revenue management, marketing and sales can work on common campaigns, goals and targets. (KUMAR, 2014)

According to Arndt and Harkins sales force technology should be categorized as:

- 1) Organizing which includes automatisation, planning and forecasting functions;
- 2) Presenting which includes multimedia aids and technology such as communications and videos;
- 3) Reporting which sends out
- 4) Supporting, which includes common information for customer qualification and segmentation, inventory control and process customer requests;
- 5) Communicating which includes a common technology to maintain contact with customers but also among internal employees and multi-functional departments. (Arndt & Harkins, 2012)

Therefore a common technology to process, report and process automated functions while presenting, informing and communicating have been proven to facilitate and enhance the performance of the sales teams and the results of the corporates.

Figure 25 - Sales Force Technology model



Source: Arndt, A. D., & Harkins, J. (2012). The Role of Technology in Enabling Sales Support, *13*(2), 66–74. *International Journal of Marketing and Technology*

6.6. Training and Development

Sales training is a crucial investment in order to maintain or improve the performance of the sales force. The need of sales training is continuous because of the external and internal environmental changes that corporations are constantly going through. In the aviation side there is constant changes and improvements of products, services, routes, technologies available for the customers, and this becomes even a greater need when the sales force is representing more than one brand and needs to be up to date with all of them.

Therefore **Product Knowledge** is extremely important for a multi branding sales force. They have to know the benefits, applications, competitive strengths and limitations of each brand. Though, product knowledge alone is by itself is not worth much. A salesperson must know the customer and have the necessary sales skills to apply the knowledge of the product to the customer situation. What is the point of knowing a lot about business class features of an aircraft if your client is a leisure travel

agency and most of their clients only travel economy? Still the salesperson in our case needs to know about its product characteristics for all the brands.

So here it is necessary to have also the proper training on Customer Knowledge. Sales training in this area includes identifying and classifies information such as client's needs, buying motives, buying procedures, and personalities.

Other types of trainings are also essential for these multi-cultural commercial departments to work in a smooth and effective way. There are essential themes in training important for this project:

Diversity Training: focuses in different values, attitudes and behaviors of individuals with different backgrounds

Cross-Cultural Training: prepares employees to work and live in different cultures and for interactions and to work along with people with different backgrounds

Customer Service Training: Formal training must be tailored made and according to the organization's strategy and characteristics. Informal training can be the join of a new hire to work along an exemplar employee in customer service operations.

As companies expand their global selling efforts, training programs must address multicultural differences and business protocol in foreign countries. It is important that people are trained in intercultural communication to improve their chances of developing international relationships (Saks, Saks, Haccoun, & Belcourt, 2010).

Sales force socialization is the process through which salespeople acquire the knowledge, skills and values to perform their jobs. The process therefore begins when the sale recruit is first exposed to the organization and may extend for several years. It is at this point that the whole process for training begins. The importance of sales training and the sale's manager's role in that training is extremely important. The continuous needs for training is due to a number of conditions which could be a result of changing business conditions, the influx of new sales people due to integration processes, or the need to reinforce previous training. The sales manager has the overall responsibility to guide, train but especially to identify the needs of the sales team and conduct and help organize the programs for the sales training activities. For sales managers to identify

the need a six step method should be followed: Continuously audit sales force, performance testing, observation, sales force survey, customer survey and job analysis. A typical sales training process should then include product, customer, and competitive knowledge, sales techniques, and time and territory management skills.(Ingram et al., 2012)

In the airline industry training is also a motivation process. Airline salespeople are expected to take a challenging selling role. They cannot do it in a successful way if they are not equipped with the necessary knowledge and skills. Training must be therefore focused on product knowledge, selling and negotiation skills. Finally it must also be in a continuous basis as we have seen this is a continuous changing industry.(Shaw, 2012)

According to Justino there are three Direct Methods for the training of the sales force which consists in the didactic or informative method, participating method and the creative method. The first one does not contemplate activity by team and it usually treated for the content and not for the trainees. Also this method is directed in only one way (from the trainer to the team) and in order to be affective there is a need for the team to be motivated. The second method or the participative method consists of an adaptation of the teaching according to the audience, an existing feedback and activities of the audience stimulated by the trainer. Finally there is the creative method where the participants are wanted to work in teams and find possible case solutions which are discussed by all groups and in this case the trainer is only to orient and guide the brainstorm of the teams. (Justino, 2007)

7. Solution of the case

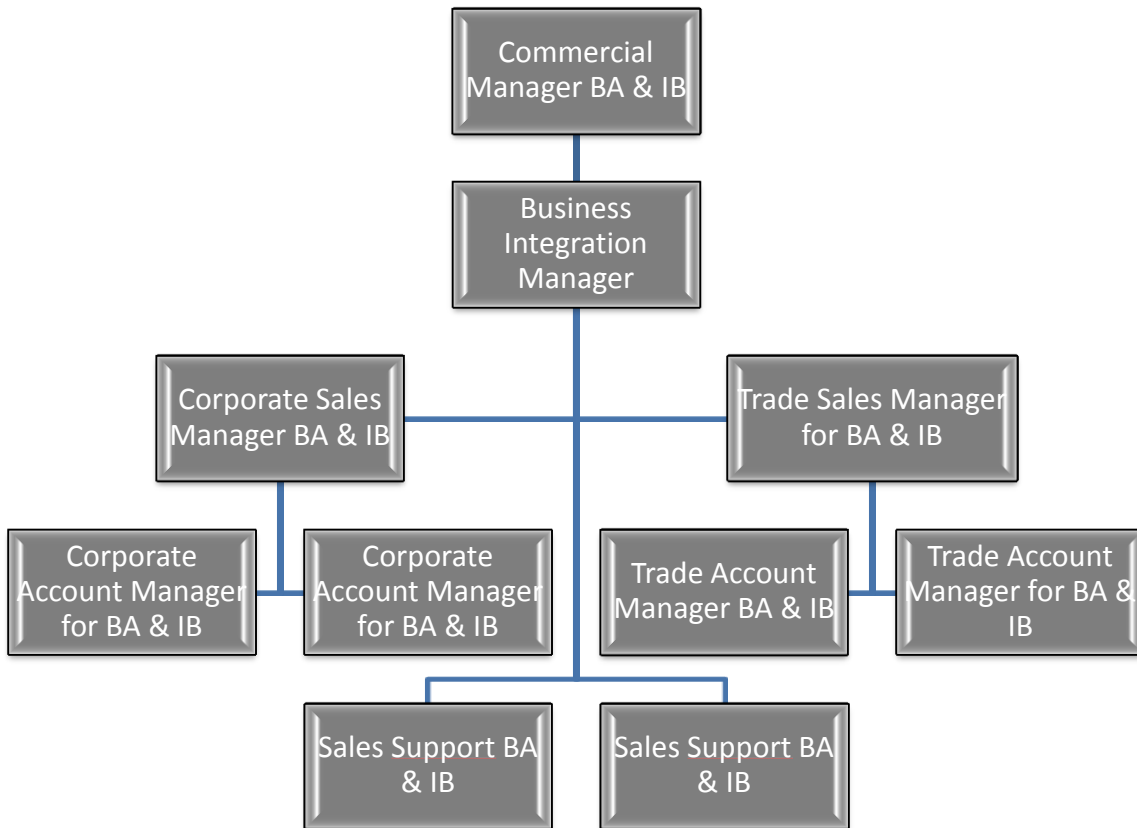
1 – Build a qualitative SWOT Analysis of the IAG Group

		EXTERNAL ENVIRONMENT	
		Opportunities	Threats
		Asia Expansion	Low Cost Carrier Competition remains very strong in the European Market
		High Yield Heathrow hub can bring up the revenue and the average ticket price	Gulf competition will most likely continue to grow
		Dublin good alternative hub for the North Atlantic routes due to Heathrow's maximum operational capacity	The integration between Virgin/Delta and United/LH is the largest threat for North Atlantic routes Vueling – Any slight loss could damage the whole process
INTERNAL ENVIRONMENT	Strengths	Common A350 fleet order will improve the efficiency of operational costs	The Integration of American Airlines with US Airways strengthen the position of the group into North Atlantic leaving behind competition
	The North Atlantic leading Position		
	Leadership of IB into South Atlantic	The continued buying intention of IAG over Aer Lingus will bring the group a strong hub (Dublin) into North Atlantic with the advantage that this hub has still capacity to increase operations	
	IAG is better placed in LCC segment than Lufthansa or AF-KLM	Brand Strategy maintained the strong position and culture values of the operating carriers and IAG wants to continue this strategy but giving each carrier its own autonomy to run its business	Commercial Structure of Vueling should be integrated into IB's and BA's Commercial structure following AF/KLM model lowering structural costs and taking advantage of the better image Vueling has compared to other LCC
	IAG made faster progress in labor restructure than competition	Further airline acquisition are in the agenda with a significant expansion of both in Europe and Asia; The acquisition of Aer Lingus and the expansion of Qatar as a shareholder in the group	
	Fleet orders in place will bring into the group more efficiency improvement	LHR the hub of BA has an exclusive High Yield advantage compared to any other airport and continues to take advantage of this by charging more than other Legacy carriers for Premium Cabins	
	Further Airline acquisitions is part of IAG objectives		
	IAG Brand Strategy		
	IAG Spain's position	Dublin airport could be used to bring expansion of North Atlantic routes and an alternative to London Heathrow airport which is already in its maximum operational capacity	
	Weaknesses	ROIC must be achieved for shareholders to continue to have trust and investment continue in the group	No More space in Heathrow to grow and any investment is dependent of the UK Government and not in IAG's hands
ROIC (Return on Invested Capital) still not achieved		The buying process of Aer Lingus can be too soon as ROIC still not achieved	
No More Space for Heathrow hub to grow	The Acquisition of Aer Lingus will give IAG an alternative hub to London Heathrow	Gulf competition is also growing with the expansion of Emirates and Etihad into European cities but therefore the buying of Qatar over the group will prepare IAG to face these competitors	
IAG is small in one of the most important markets: Asia Pacific	The Acquisition by Qatar of 9.99% of IAG and the intention to grow its position will strength IAG's Positions in Asia in the new future		

2 – Summarize and compare the Commercial European structure of IAG and its Main Competitors (Group Lufthansa and AF/KLM)

IAG.

Figure 26 – IAG European Commercial Structure (Vueling is Excluded)



Source: Author

IAG.

Commercial Manager: Common for Iberia and British Airways but separate for Vueling

Sales Managers: common for Iberia and British Airways but separate for Vueling. Sales Managers are common for two brands and division of portfolio is between account type : Corporate or Trade or by Region depending on the markets

Account Managers: Common for British Airways and Iberia but not for Vueling (except in the Italian Market)

Sales Support: Common for British Airways and Iberia but not for Vueling

Call Centers: Different Call center for each brand for both Trade clients and corporate clients

Vueling continues to have a completely separate commercial structure

Group Lufthansa:

Commercial Manager: Common for All Brands (Lufthansa, SN Brussels, Austrian, Swiss); Separate Figure for German or Euro Wings

Sales Managers: Common for All Brands (Lufthansa, Sn Brussels, Austrian, Swiss and German Wings); Separate Figure for German or Euro Wings

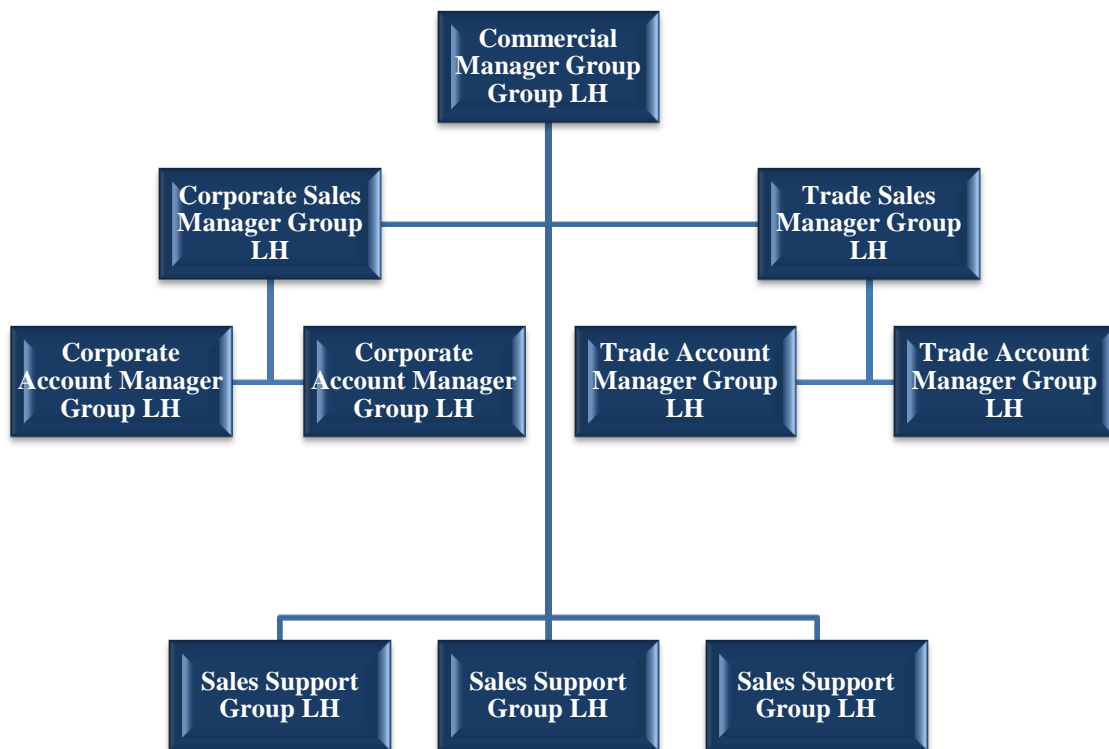
Account Managers: Common for All Brands (Lufthansa, Sn Brussels, Austrian, Swiss and German Wings); Separate Figure for German or Euro Wings

Sales Support: Common for All Brands (Lufthansa, Sn Brussels, Austrian, Swiss and German Wings); Separate Figure for German or Euro Wings

Call Centers: Dedicated by brand

Germanwings and in the future Eurowings continues to have a completely separate commercial structure

Figure 27 – Commercial structure of Group Lufthansa



Source - Author

AF/KLM:

Commercial Manager: Common for All Brands (AF/KLM and Transavia)

Sales Managers: Common for All Brands (AF/KLM and Transavia)

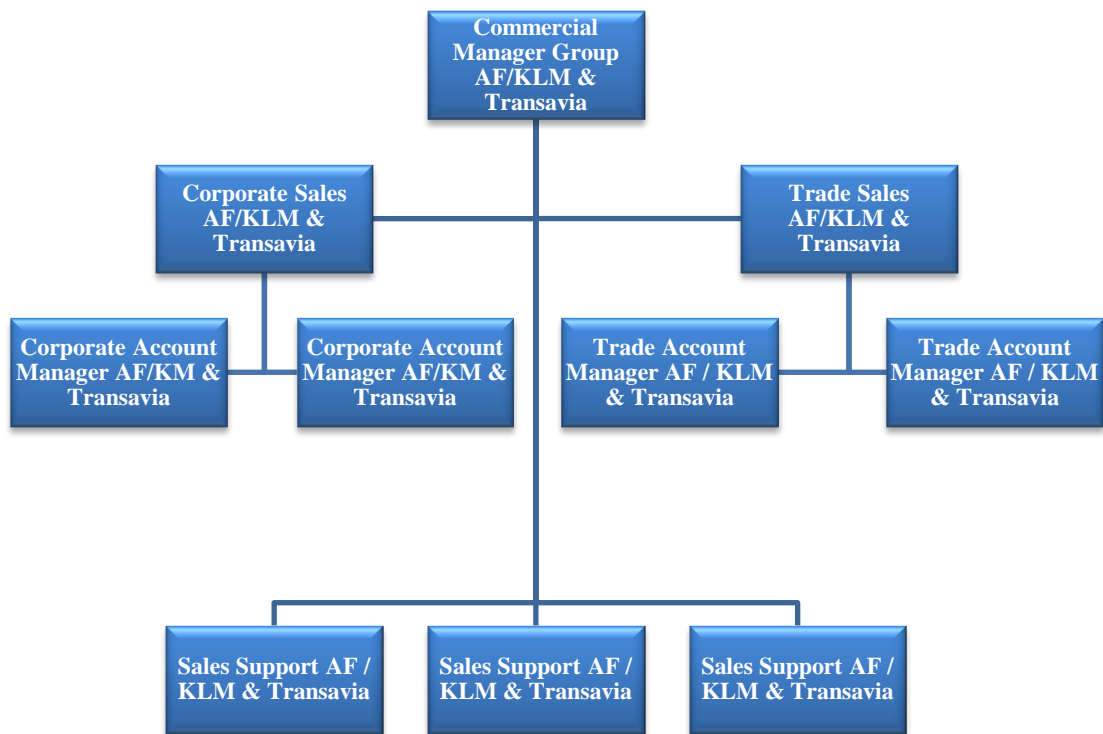
Account Managers: Common for All Brands (AF/KLM and Transavia)

Sales Support: Common to all Airlines

Call Centres: Common to AF-KLM but separate for Transavia

In this case Transavia has a common commercial structure to Af – KLM and is represented by the commercial team as all other brands

Figure 28 – Commercial structure of Group AF-KLM



Source: Author

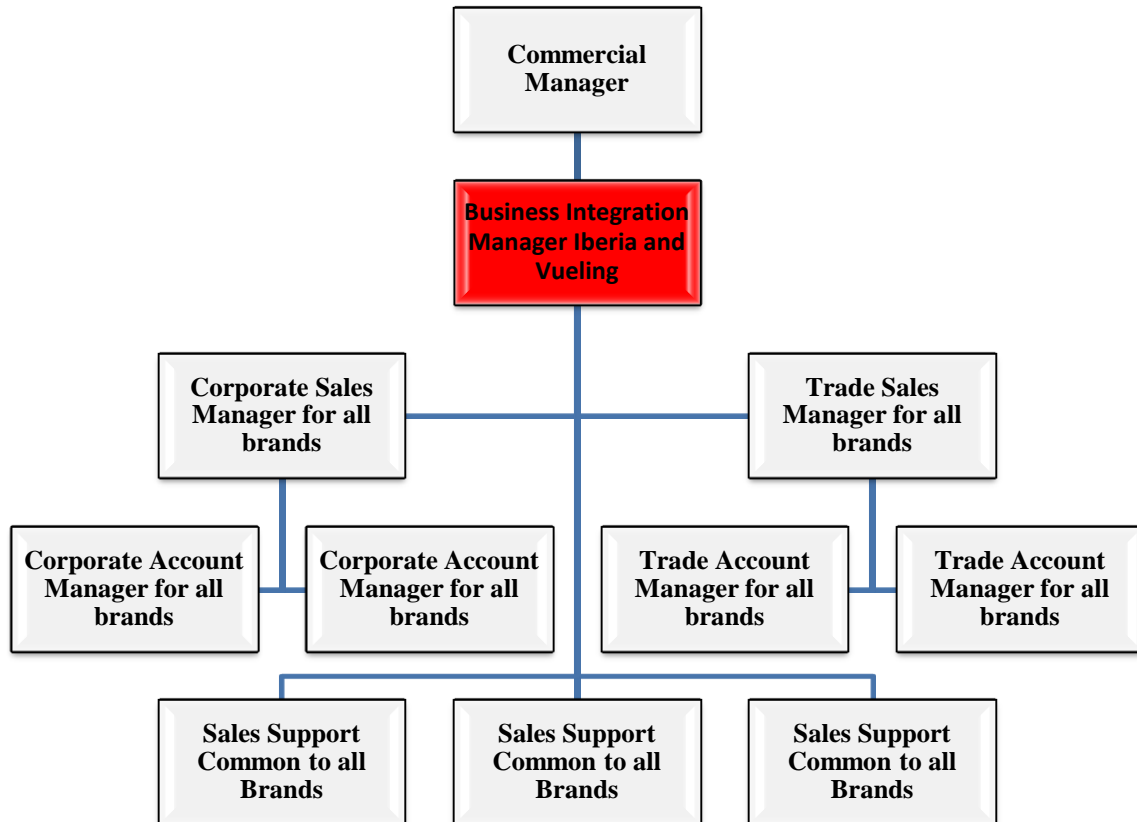
Figure 29 - Advantages and Disadvantages of each group

	Advantages	Disadvantages
IAG	Common Commercial Structure for Legacy Carriers all over the world	Vueling maintains separate commercial team
	Leadership done according to most valuable brand in each market	Call Centres dedicated by brands generates confusion among passengers
	Created Figure of BIM (Business Integration Management) to bring know how about other brans that do not have the primacy in the market	Increasing costs by having Vueling still separate commercially
	Sales Support integrated team (For BA & IB only)	
Group Lufthansa	Common Commercial Structure for Legacy Carriers all over the world	Germanwings and Eurowings maintain separate commercial team
	Leadership of commercial teams only done by Lufthansa	Call Centres dedicated by brands generates confusion among passengers
	Integrated Sales Support teams (Except for Eurowings)	
AF/KLM	Designation of the group by carriers names	Call Centre common to AF/KLM but not for Transavia
	Common Commercial Structure for Legacy Carriers and Low Cost Carrier (Transavia) all over the world	
	Integrated Sales Support teams (All Three Brands)	

Source: Author

3 – According to question 2, the merger and the future strategic objectives of IAG present an ideal commercial structure for the group for a British Airways leadership European Market.

Figure 30 – New Local European Sales Teams structure for IAG



Source: Author

According to the information given in the case most European markets were led by British Airways and the one truly integrated by all three brands commercially was the Italian. As informed all these employees are inside British Airways cost structures. They are effective employees of British Airways. It is therefore important to include a Business Integration Manager for both Iberia and Vueling and this person is the main link between the other headquarters and the multi branding sales team. Sales Managers can be divided by type of client because as seen in the case corporate clients and trade clients have very different specifications. On the other hand, sales support should be trained to work for all brands and get support from the BIM figure. In smaller Markets such as Portugal, Belgium, Luxemburg you only have one or two account managers and one sales manager figure. The portfolio division should be more ambiguous and the

portfolio division should be based upon mixed decisions based on revenue and numbers of accounts but with a mixture of clients. Account Managers should then be capable to work with both trade and corporate clients. The BIM figure is essential for all airlines to be represented in the same way as teams approach clients.

3.1 – Discuss the importance of the BIM in this new organization, define Job purpose and accountabilities and justify your answer.

The figure of the Business Integration Manager (BIM) is important in order for the teams to have a point of contact and product expert in the new brand they will start to sale. It is important therefore for the BIM to have specific a very specific Job purpose. This figure will be the main contact between the commercial team in which they are integrated and the other brands they represent commercially. It is important to remember that the best team is the one that will not pass to the client any preference regarding all brands of the groups and therefore the BIM figure will help teams to be updated about other brands. There is also the possibility to have 1 BIM per brand represented 1 BIM for Iberia and a different BIM for Vueling.

Job Purpose of the BIM

The job holder is responsible for working with the team to design, monitor and refine sales plans to optimize performance of the defined portfolio. In addition the role will be a brand champion for Iberia and Vueling, providing expertise and support to the sales team to ensure that Iberia and Vueling brands and products are used effectively in the market. Needs to analyze what products the group has and how the current customer segments use the products and where identify opportunities to improve yield and/or volume. The BIM needs to work with the sales team to build a sales plan to drive the opportunities forward by customer segment and by channel. Provide the sales force with relevant sales collateral understandings such as schedule and product strength and key selling points. Utilize system to support effective dealing. Ensure local market and competitor insight to support central net pricing and dealing decisions. Is a single face for customers and a Portfolio specific expertise.

Principal Accountabilities of the BIM

- Optimize performance of the defined portfolio across all relevant carriers
- Act as a brand champion for Iberia and Vueling
- Develop portfolio sales plans identifying key share and yield opportunities in coordination with local commercial management
- Segment portfolio by customer segment and define key profitable streams (customer segments)
- Adopt the segmentation model to drive channel shift and targeted tactical activities
- Collate market intelligence, benchmark on competitors product and identify our product advantages, parity and challenges
- Develop and manage relevant and compelling sales collateral
- Deliver product trainings to sales teams for Iberia and Vueling
- Support account managers through sales process when specific portfolio's expertise if requested
- Contribute to account managers' targeting and performance

The figure of the BIM is extremely important for a true integration of all brands into the sales department. This person will be the key figure for Account Manager to have all the support about the brands which they represent commercially. If this figure is missing in the integration process than commercially teams will lose the bond to the other brands they are also selling as they are not integrated employees of the other brands. It is therefore an extremely important person to reinsure that sales people have all the information necessary to sell all brands in the same way.

4 – Imagine you are a Sales Manager in IAG and you have the responsibility along with Human Resources to recruit a new Account Manager for the new IAG European Commercial Team you have just built. Elaborate the Job Profile for the recruitment of this new person

Figure 31 – Job Profile

JOB PROFILE

Job Title	Account Manager		
Directorate	Sales & Marketing		
Location	xxxxxx	Department	Europe

Job Description

The jobholder reports to the Sales Manager and is responsible for generating maximum profitable revenue for the IAG airlines (British Airways, Iberia and Vueling) and joint business partners (American Airlines), create marketing actions with clients, follow up important incentive and corporate deals, identify client’s needs and look for opportunities sin the market that translate into more revenue to the group.

Principal Accountabilities (Duties, Tasks and Responsibilities)

- Responsible mainly for set market targets
- To develop a strong account strategy and implement and manage the Account Development Plan, including extensive use of CRM Tool
- To maintain/maximize and identify/develop revenue opportunities through a successful working relationship
- To negotiate contracts at Executive level with all major clients
- To lead and manage the negotiation/strategy process
- To focus on long term planning and establishing of milestones,
- To lead the deal performance review process including renewals
- To define the management information requirements

- To present monthly/quarterly Account Developments for the management team,
- To assure involvement of Sales Support Executives Managers in selling and marketing activities
- To ensure all relevant data is filed, tracked and reported according to BA, IB, Vueling and partner standards
- To communicate and integrate BA, IB, Vueling and partner products to customer business schemes, identify and exploit new market opportunities
- To develop and manage the communication and marketing plan to ensure mutually successful deal implementation in conjunction with the customer
- To support inquiries from Global Sales Department and Global Account Managers
- To develop, manage and be responsible for individual expenditure budgets (Marketing and SLA Budgets)
- To assemble and communicate market intelligence information,
- To analyze and evaluate sales data

Key interfaces

Sales Force, Sales Support, Distribution, Revenue Management, Marketing

Reports to Area Sales Manager

Essential Capabilities (skills/experience/qualifications/expertise/behaviors)

- Degree in economics or equivalent
- Two years of experience in a sales function within or outside BA/IB/Vueling
- Highly self-motivated and self-driven, excellent interpersonal skills, in verbal and written communication
- Fluent command of English and local language, both written and spoken. Preferably also a high level of understanding of Spanish, both written and spoken,

<ul style="list-style-type: none"> • Strong commercial awareness of the Market corporate and Trade, highly developed analytical skills, highly numerate • Highly developed interpersonal and negotiation skills at all levels • Proven IT skills and knowledge of e-commerce, internet, intra/extranet, • System / PC literate (Amadeus, Excel, Word, PowerPoint etc.) • Proactive approach, good team player, effective presentation skills, respectful for different cultures • High organizational skills, ability to prioritize • Valid driving licence
<p>Customer Type</p> <ul style="list-style-type: none"> • Major Travel Agencies, OTA, Tour Operators and key Corporate customers in the Area
<p>Job Related Demands</p> <ul style="list-style-type: none"> • Extensive travel must be accepted

Source: Author

5 – Build an ideal Workflow and Communication between Commercial Teams, Revenue Management Teams and Marketing Teams using CRM Tool (salesforce.com) for the new organizational structure you have just built

The usage of a common CRM for the commercial teams is important to maintain all the information regarding client’s activities, performance and manage the relations with both trade and corporate clients. Though, in order for the communication to flow among the group this platform should be used for the interaction between the departments of Sales, Marketing and Revenue Management. For example if British Airways launches an offer for the destination of Asia for sales in the Europe region the first action would be for Revenue Management to inform both marketing and

commercial departments about the conditions and time periods of this offer. As soon as Revenue Management sends out the information through CRM, marketing department should be able to act and put available documents to sales teams also through CRM communication tools for the sales teams across the several European countries. With this CRM tool Sales Managers may instruct Account Managers about the visits/actions/campaigns they should take with clients. As soon as sales teams receive the multimedia and communication aids from marketing and the instructions from sales managers they should take immediate action and register in the same CRM the actions taken with each client. This brings a common practice to both, BA and IB led markets, and a homogeneous approach for IAG group. It also helps sales managers control the actions of account managers. If CRM contains account performance revenue results it could even be measurable the revenue won with the actions taken in each account.

Due to the great amount of information regarding marketing, price, cabins, rules of each operating carrier it is to rely on the common CRM (salesforce.com) for marketing and revenue management information to reach commercial teams. This diversification by brand in marketing and revenue management should only work for internal processes and smoother workflows. In this way if other airlines should come to the group (Example the future acquirement of Aer Lingus) it would be easier to integrate more marketing and revenue management departments from other airlines in the system.

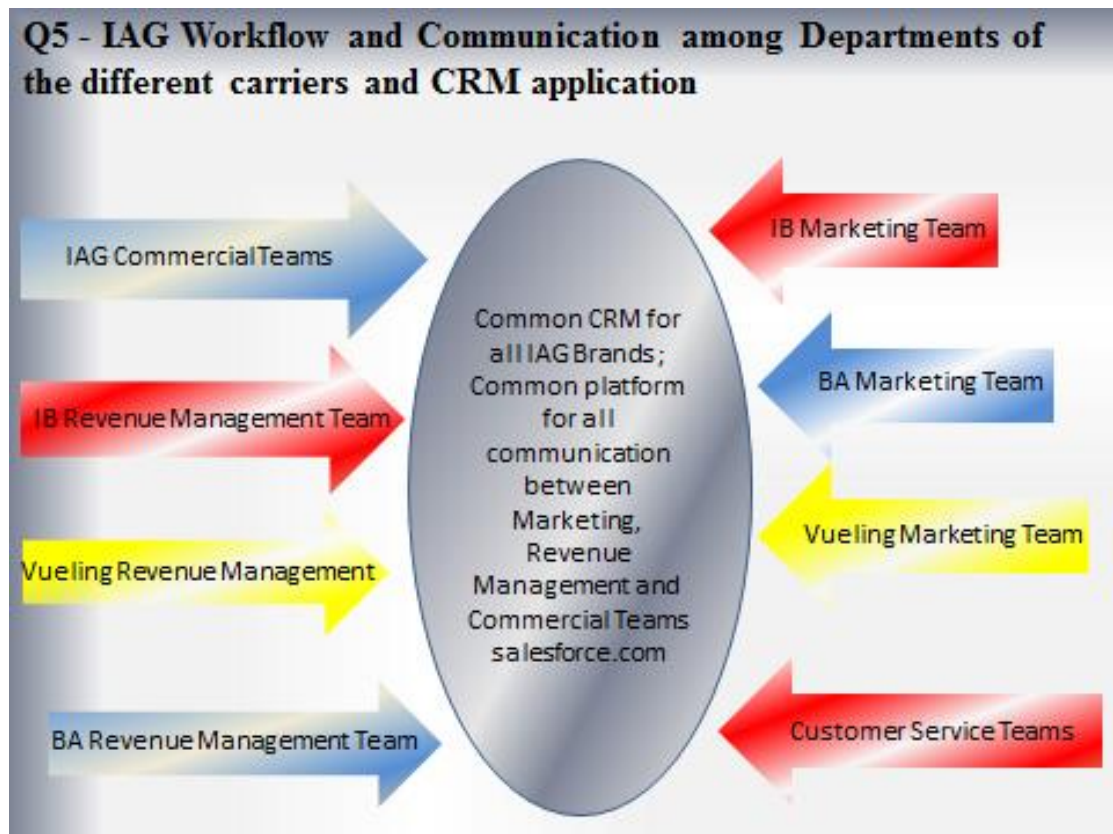
Salesforce could also work as a tool to control revenue performance of the accounts. As the system is able to segment, qualify and group clients, sales teams should be able to work with the numbers individually, by group of agents, by corporate segment etc.

New opportunities with clients and leads can also be registered into the system which improves the timeframe to present new offers, contracts or deliver services in a faster way. This also helps teams to plan and forecast activities. It helps to register and control the amount of new business to all brands.

All sales calls, visits and important e-mails should be registered into the system. Sales Managers are able to monitor the work of each sales executive, control the performance of their accounts, analyze the new opportunities the sales team is bringing to company and act fast upon any deviations of revenue in a fast and controlled way.

This system is then the base for IAG to have cross functional teams and departments. The interaction between the departments through a common system increases the interaction between the different departments and makes the group to be able to react and adapt to market changes in a faster way. In an extremely fast moving industry such as this one, IAG needs to be prepared to respond to the market as fast as any other single brand carrier.

Figure 32 – New structural workflow and communication platform of communication applied to CRM



Source: Author

6 – As a Sales Manager of the new integrated team develop the training and development program of the multi brand Account Managers of your area considering the cultural values of each brand and group IAG. Justify your answers

The Team should first need training in product and services of each brand. The best way to know and feel the product is through personal experience of usage of each brand. Even though this implicates a high cost for the carriers it would be extremely important for the sales teams to experience the product they are selling. In the aviation

experience product training would directly cross over with customer service training as commercial teams would come across the interaction with colleagues in this area.

After the **product / customer service training** it would be important to roll training on **customer knowledge** depending if the Account Manager would be dedicated to corporate or trade clients. As analyzed throughout the case trade clients are a way of distribution of airlines and therefore with different characteristics than corporate clients who are a final user and customer of the airlines. This training should be done through inside classes and also through guided visits to clients with sales managers.

Finally and in order for the Account Manager to understand and integrate himself a **cultural and diversity training** should be carried out. An initial training should take place in IAG headquarters to understand the philosophy of the whole group. After that the teams should also have local visits to the headquarters of each brand in order to prepare employees to work and live in different cultures and for interactions and to work along with people with different backgrounds. In each headquarter marketing and revenue management teams should deliver presentations to sales teams about their work, their philosophy, their objectives, their systems and the business plans and main messages of each brand. The interaction between sales and the departments of the different brands will make the communication smoother between them and will bring sales teams to understand better the cultural aspects of each brand.

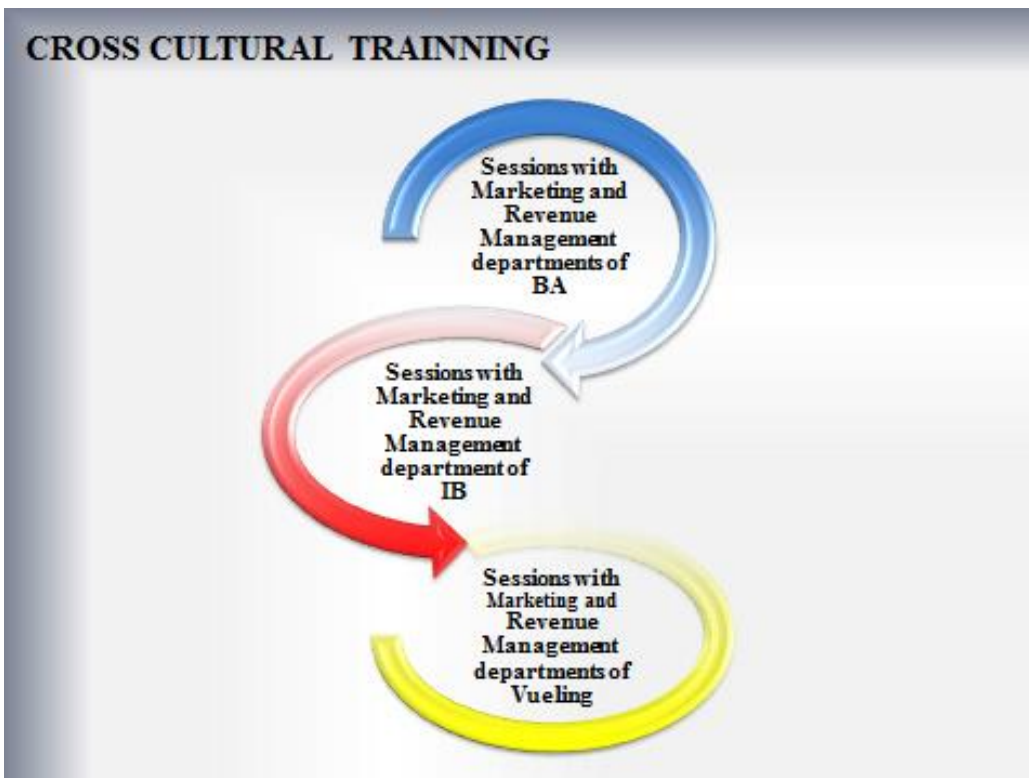
In this aspect it is important that all communication is based in the fundamental values of the brand and the company. The messages should be carried out throughout the identification of the brand with the country and culture. The communication should, therefore, be open among the teams. In this way sales teams should understand that the tools for internal communication can be the same (through salesforce) but the messages from each brand to the client is very different and is in accordance to the product and service the brand wants to deliver to the market. As British Airways and Iberia are legacy brands and therefore represent culturally their home markets a Spanish and British essence is always put into their communications. On the other hand Vueling positions itself as a LCC and therefore their cultural values are very different as they do not even represent culturally a country like their legacy counterparts. With this training, consolidation of culture would result in a sales group with multiple internal cultures

which would properly address both externally to the clients and also internally to the teams.

Figure 33 – Training and Development Program

**Q6 – TRAINING AND DEVELOPMENT PROGRAM/
CROSS CULTURAL TRAINING**

- ✓ **Product Training** by BA
- ✓ **Product Training** by Iberia
- ✓ **Product training** by Vueling
- ✓ Experiencing each product by actually using it
- ✓ Through this experience **customer service** skills are also acquired with interaction with airport teams
- ✓ **Customer Knowledge** training that could be made in class training to understand the clients (Trade or Corporate); Done locally and according to each market specifications
- ✓ **Cross Cultural Training** and Diversity Training with programs developed at Head quarters in order for the new Account Manager to interact with central teams at the different Head Quarters. Example meeting with the marketing teams of IB and BA and understand the differences in each home based markets



Source: Author

7.1. Presentation of the Solution

**MULTI BRANDING SELLING
IN THE AIRLINE INDUSTRY**

**THE ORGANIZATION OF A SALES
DEPARTMENT IN A MULTI-
BRANDING ENVIRONMENT
APPLIED TO IAG GROUP**



Academic Case – Marketing and Sales Management

**The main points about mergers of
airlines**

1. Brands and Cultures in the aviation industry
2. Organization of the Sales Team; Portfolio division
3. Profile, Skills and Roles of our Sales Representative
4. Functional Teams and Interaction between departments
5. Customer Relationship Management and Sales Automated Tools
6. The Role of Training and Development

The IAG Group



BRITISH AIRWAYS → Full Service Legacy Carrier based in the UK with LHR as a hub

Full Service Legacy Carrier based in Spain with MAD as a hub → IBERIA

vueling → Low Cost Carrier Based in Spain and with two hubs Barcelona and Rome

The competition – Group Lufthansa



Full Service Legacy Carriers:

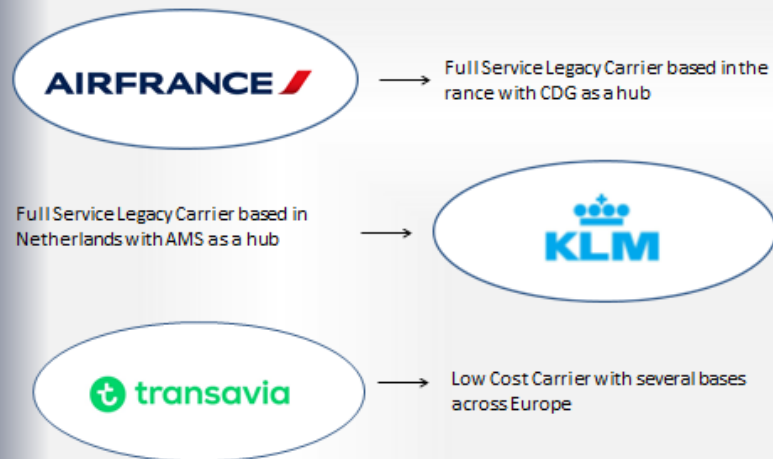
- ✓ Lufthansa
- ✓ Austrian
- ✓ Swiss
- ✓ SN Brussels



Low Cost Carriers:

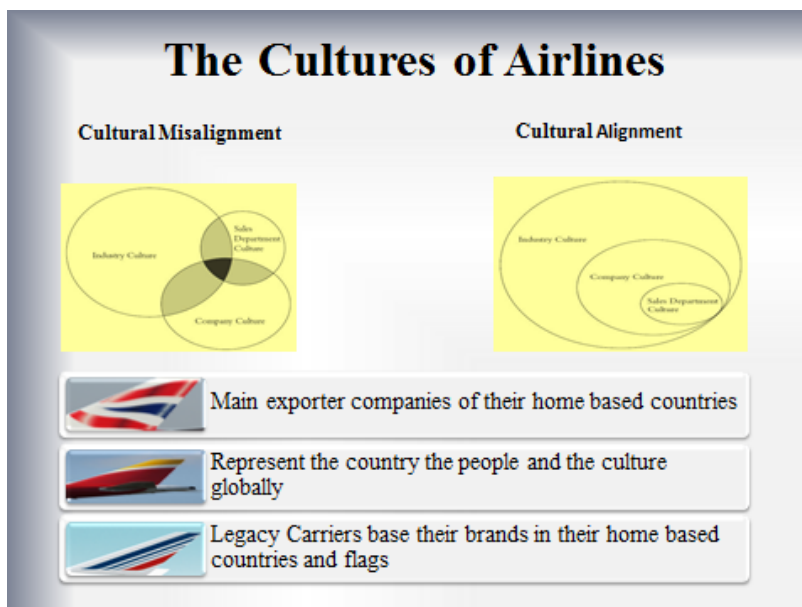
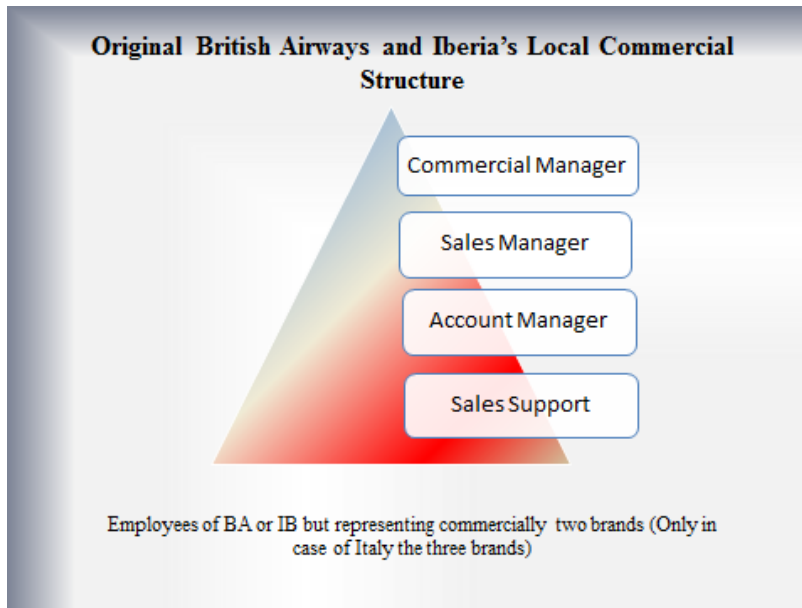
- ✓ Transformation from German Wings into Euro wings with base in Frankfurt and Viena

The competition – Group AF/KLM



British Airways and Iberia's Workflow among Departments of the different carriers





Job Profile

Job Title/ Job Description

Duties, Tasks and Responsibilities

Hierarchy relationships

Type of products and brands to be sold

Essential Capabilities

Customer Type

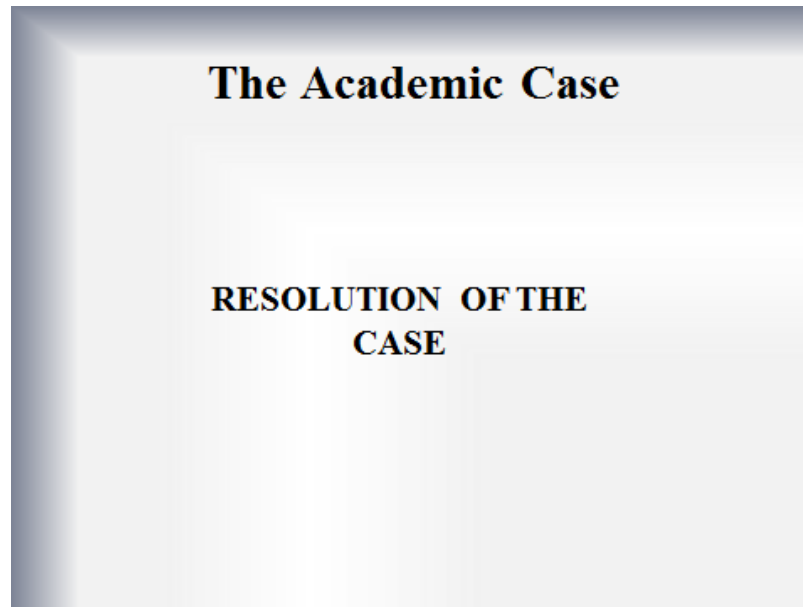
Job Related demands such as travel requirements, environmental pressures

Functional Teams Across All Brands



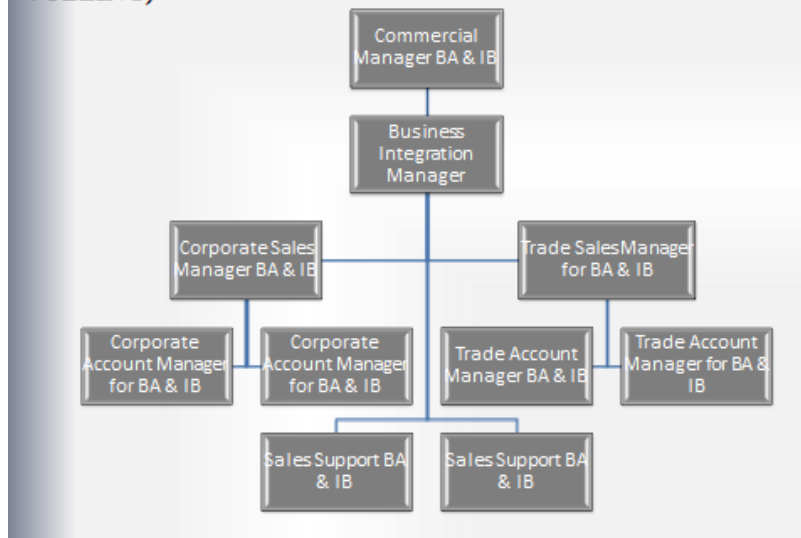
CRM & SFA – salesforce.com

Communicating → Organizing → Presenting → Reporting → Supporting

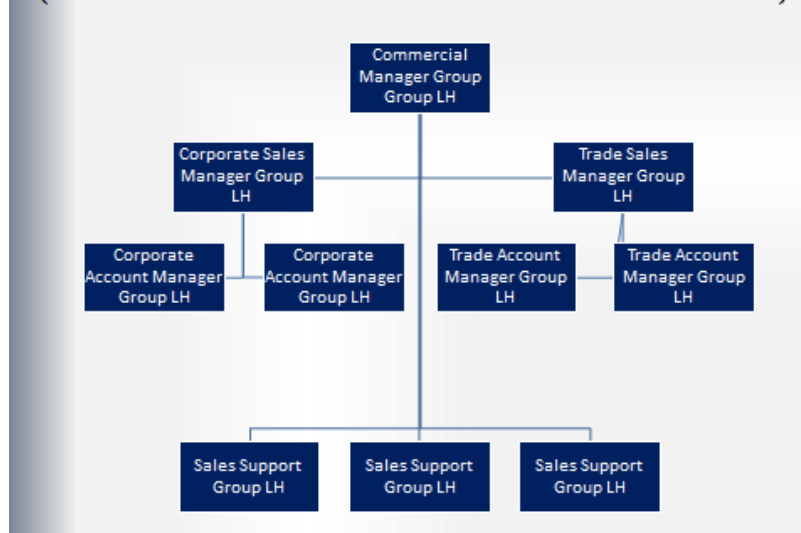


Q1 - SWOT ANALYSIS IAG GROUP		EXTERNAL ENVIRONMENT	
		Opportunities	Threats
		Low Depression	Caro Deal Cancellation - Competition remains very strong in the European Market
		High Yield Member hub on long leg to the northeast and Atlantic side of the group	Low Competition - IAG mostly serves the group
		Double - good alternative hub for the Turkish Airlines route, double Member's maximum operational capacity	The integration between Virgin Atlantic and British Airways - the largest brand for Turkish Airlines routes Yieldings - any flightlines would damage the sub-brandings
INTERNAL ENVIRONMENT	Strengths	Customer IAGG has order to improve the efficiency of operations	
	The Turkish Airlines being Partner		The integration of American Airlines with IAGG through strengthening the position of the group on Turkish Airlines being behind competitors
	Leadership of IAG on Turkish Airlines	The external buying position of IAGG on the Europe side - being the group's strong hub (Dubai) on Turkish Airlines with the advantage that the hub has no capacity in excess operations	
	IAGG is better placed in IAGG segment than Lufthansa or SAS-EMR	David Strategy maintained the strong position and future value of the program services and IAGG could be seen as the strategy being more robust than any other carrier in the business	
	IAGG multi carrier program is better positioned than competitors	Further airline expansion - even the expansion of a significant expansion of work in Europe and Asia. The expansion of the program and the expansion of IAGG is substantial in the group	Commercial structure of IAGG should be integrated with IAGG and SAS - Commercial structure following IAGG's model having structural work and being advantage of the airline group - Yielding has responded to other IAGG
	Low order in place - IAGG being the largest member of the program	Low the hub of IAGG has an excellent High Yield advantage compared to any other airport and continues to take advantage of this by offering members who carry services for Premium Cabins	
	Further airline expansion is part of IAGG expansion		
	IAGG David Strategy		
	IAGG Spain expansion	Double - opportunity to be used to bring expansion of Turkish Airlines routes and an alternative to London Member's expansion which is already in its maximum operational capacity	
	Weakness	IAGG must be careful for shareholders to maintain historical and investment returns in the group	To move again in Member's in group and any investment is dependent on the UK Government and not IAGG shares The buying process of the program has been seen in IAGG and established
	IAGG (Market as Inevitable Option) will be established		
	The Move Spain for Member's hub in group	The expansion of the program will provide an alternative hub in London Member's	
	IAGG is well placed in the multi-carrier market - Low Yield	The expansion by IAGG of IAGG and the expansion in group - IAGG will be a strong IAGG's Position in IAGG in the near future	
		Low Competition - in the group with the expansion of Emirates and Qatar in the European side - but before the buying of IAGG and the group will prosper IAGG in the near future	

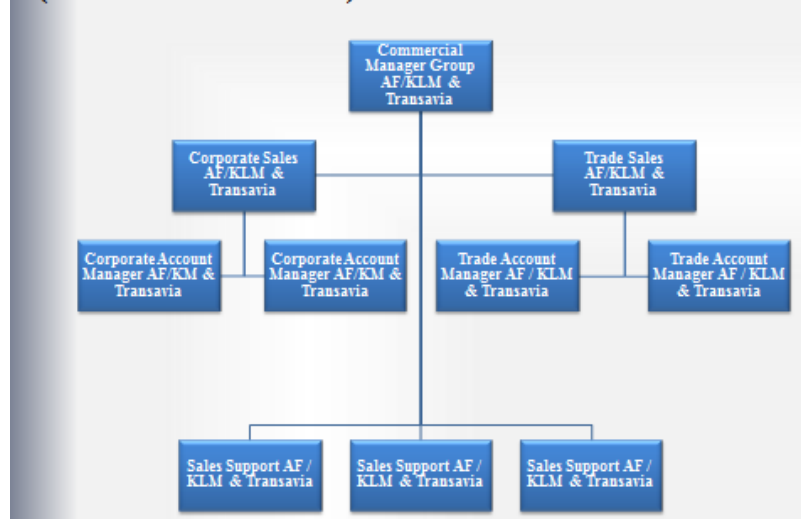
Q2 – IAG COMMERCIAL STRUCTURE (DOES NOT INCLUDE VUELING)



LUFTHANSA'S COMMERCIAL STRUCTURE (DOES NOT INCLUDE GERMANWINGS NOR EUROWINGS)

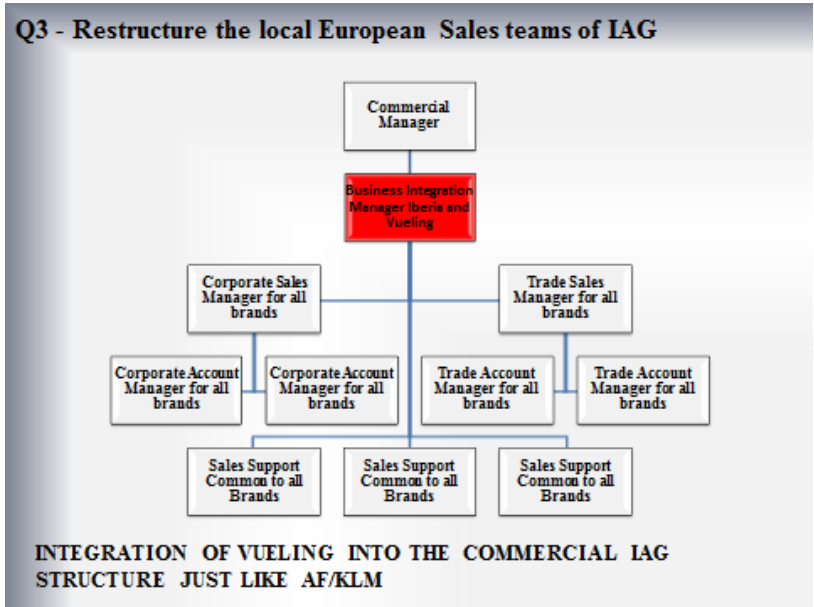


COMMERCIAL ORGANIGRAM FOR AIR FRANCE / KLM (INCLUDES TRANSAVIA)



COMMERCIAL ADVANTAGES AND DISADVANTAGES BETWEEN THE THREE GROUPS

	Advantages	Disadvantages
IAG	Common Commercial Structure for Legacy Carriers all over the world	Vueling maintains separate commercial team
	Leadership done according to most valuable brand in each market	Call Centres dedicated by brands generates confusion among passengers
	Created Figure of BIM (Business Integration Management) to bring know how about other brands that do not have the primacy in the market	Increasing costs by having Vueling still separate commercially
	Sales Support integrated team (For BA & IB only)	
Group Lufthansa	Common Commercial Structure for Legacy Carriers all over the world	Germanwings and Eurowings maintain separate commercial team
	Leadership of commercial teams only done by Lufthansa	Call Centres dedicated by brands generates confusion among passengers
	Integrated Sales Support teams (Except for Eurowings)	
AF/KLM	Designation of the group by carriers names	
	Common Commercial Structure for Legacy Carriers and Low Cost Carrier (Transavia) all over the world	Call Centre common to AF/KLM but not for Transavia
	Integrated Sales Support teams (All Three Brands)	



Q3.1 - IMPORTANCE OF BIM FIGURE JOB PURPOSE AND ACCOUNTABILITIES

BIM - BUSINESS INTEGRATION MANAGER
Act as a brand champion and expert for Iberia and Vueling
Point of contact between sales teams and all other brands
Design, monitor and refine sales plans to optimize performance of the defined portfolio for the other brands
Ensure local market and competitor insight to support central net pricing and dealing decisions
Optimize performance of the defined portfolio across all relevant carriers
Develop portfolio sales plans identifying key share and yield opportunities in coordination with local commercial management
Collate market intelligence, benchmark on competitors product and identify our product advantages, parity and challenges
Develop and manage relevant and compelling sales collateral
Deliver product trainings to sales teams for Iberia and Vueling
Support account managers through sales process when specific portfolio's expertise is requested
Contribute to account managers' targeting and performance
Collate market intelligence, benchmark on competitors product and identify our product advantages, parity and challenges for Iberia and Vueling

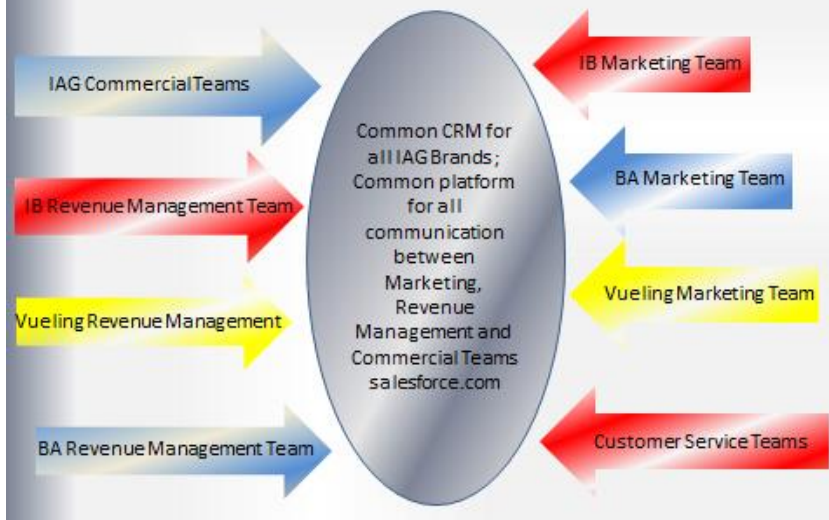
Q4 – JOB PROFILE FOR NEW ACCOUNT MANAGER

Job Title	Account Manager		
Directorate	Sales & Marketing		
Location	xxxxxx	Department	Europe
Job Description			
<p>The jobholder reports to the Sales Manager and is responsible for generating maximum profitable revenue for the IAG airlines (British Airways, Iberia and Vueling) and joint business partners (American Airlines), create marketing actions with clients, follow up important incentive and corporate deals, identify client's needs and look for opportunities in the market that translate into more revenue to the group.</p>			

Principal Accountabilities (Duties, Tasks and Responsibilities)
<ul style="list-style-type: none"> - Responsible mainly for set market targets - To develop a strong account strategy and implement and manage the Account Development Plan, including extensive use of CRM Tool - To maintain/maximize and identify/develop revenue opportunities through a successful working relationship - To negotiate contracts at Executive level with all major clients - To lead and manage the negotiation/strategy process - To focus on long term planning and establishing of milestones - To lead the deal performance review process including renewals - To define the management information requirements - To present monthly/quarterly Account Developments for the management team - To assure involvement of Sales Support Executives Managers in selling and marketing activities - To ensure all relevant data is filed, tracked and reported according to BA, IB, Vueling and partner standards - To communicate and integrate BA, IB, Vueling and partner products to customer business schemes, identify and exploit new market opportunities - To develop and manage the communication and marketing plan to ensure mutually successful deal implementation in conjunction with the customer - To support inquiries from Global Sales Department and Global Account Managers - To develop, manage and be responsible for individual expenditure budgets (Marketing and SLA Budgets) - To assemble and communicate market intelligence information - To analyze and evaluate sales data

Key interfaces
Sales Force, Sales Support, Distribution, Revenue Management, Marketing
Reports to Area Sales Manager
Essential Capabilities (skills/experience/qualifications/expertise/behaviors)
<ul style="list-style-type: none"> - Degree in economics or equivalent - Two years of experience in a sales function within or outside BA/IB/Vueling - Highly self-motivated and self-driven, excellent interpersonal skills, in verbal and written communication - Fluent command of English and local language, both written and spoken. Preferably also a high level of understanding of Spanish, both written and spoken, - Strong commercial awareness of the Market corporate and Trade, highly developed analytical skills, highly numerate - Highly developed interpersonal and negotiation skills at all levels - Proven IT skills and knowledge of e-commerce, internet, intra/extranet, - System / PC literate (Amadeus, Excel, Word, PowerPoint etc.) - Proactive approach, good team player, effective presentation skills, respectful for different cultures - High organizational skills, ability to prioritize - Valid driving licence
Customer Type
Major Travel Agencies, OTA, Tour Operators and key Corporate customers in the Area
Job Related Demands
Extensive travel must be accepted

Q5 - IAG Workflow and Communication among Departments of the different carriers and CRM application



Q6 – TRAINING AND DEVELOPMENT PROGRAM/ CROSS CULTURAL TRAINING

- ✓ **Product Training** by BA
- ✓ **Product Training** by Iberia
- ✓ **Product training** by Vueling
- ✓ Experiencing each product by actually using it
- ✓ Through this experience **customer service skills** are also acquired with interaction with airport teams
- ✓ **Customer Knowledge** training that could be made in class training to understand the clients (Trade or Corporate); Done locally and according to each market specifications
- ✓ **Cross Cultural Training** and Diversity Training with programs developed at Head quarters in order for the new Account Manager to interact with central teams at the different Head Quarters. Example meeting with the marketing teams of IB and BA and understand the differences in each home based markets

CROSS CULTURAL TRAINING



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