



Searching the path to innovation in a traditional services industry

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Global air transport showed new highs in 2014. But large discrepancies remain. Low cost companies are controlling an even larger part of the short-haul European market. At the other end of the scale, Middle East and Asian carriers show strong growth on both local and long-haul flights.

European traditional players, face a fierce competition from these two classes of actors. In the high added value segment regulation is perceived by European companies as a heavy burden. Especially when their competitors have an easy access to staff from low-wage countries and are less subject to stringent labour laws. This clearly makes a difference when it comes to operating costs. Environmental constraints (noise ...) make it even more difficult to operate hubs and planes on an intensive scale. Add to this the fuel costs issue and we get a brief glimpse of the situation. This services sector experiences now what industry already knows. Relocation the unlikely child of globalization and liberalism benefits consumers and harms ... employees, amid a distortion of the competition field.

At the other end of the spectrum the situation is far from rosy. Based on a minimalist services offer, cut as close as possible to the customer needs, low cost carriers have carved out the lion's share on some European platforms. In Geneva they hold more than 50% market share.

Geneva is precisely the place chosen by Swiss to meet a major challenge.

Facing the low cost carriers competition that reinvented the airline business model, Swiss decided to embark on a bold gamble. Re – reinvent! Combining services and an extremely competitive price. A tricky balance of low costs and a quality level worthy of a national leading company. This is the first paradox: offer low fares under a brand positioned as "premium". To get to it successfully, they first need to achieve a brand awareness in line with the targeted new positioning. Then, if this is achieved, avoid pulling all the positioning of the Swiss brand down! To succeed in squaring that circle, the Swiss company relies upon its staff. She choose to be a local actor. Recruitment and emotional tone, are largely French-speaking. This is the second paradox: a regional "company" within a national company as part of an international group.

According to its head of marketing, the business unit bearing this challenge should change the traditional paradigm of air transport. The challenge looks all the more difficult as the industry seems to offer little differentiation opportunities. This brain storming laboratory is set up as a local autonomous entity with its own positioning far from the core of the group. The choice of Geneva for a company headquartered in Zurich is probably not so innocent! Chance or will, one of the factors that fosters innovation within a large group is found "naturally" in the Swiss organization. Just like Nespresso developed away from Nestlé's headquarters, the start-up is located both geographically and culturally far from the central "apparatus", its heaviness and cannibals behaviours. This freedom provides the opportunity to maximize creativity: thinking outside the box is of paramount importance to succeed in such an adventure.

The Swiss response to the strategic challenge takes on a particular significance at a time when the historic European air transport industry needs to renew its business model. The Swiss move is two faced. The first face is defensive: leverage on the low-cost companies' approach in terms of customer's value added

analysis. The second face is much more ambitious. Transforming traditional moral values (proximity, conviviality) into services and added value to customers. The move is bold but interesting. These are our values as human being, part of our culture. Translated into labour law and hence human resources costs, they lead to a competitive disadvantage for European companies. Swiss in Geneva chooses to make it a development axis! Corporate culture should be the vector. Here lies one of the many complexities of the venture: transforming slogans and marketing plans into culture, within a limited time frame and budget. If success is met at the end of the road, another fascinating question would rise. Can the model be expanded or replicated without losing its soul? An exciting challenge to follow ... Answers in a few years.



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