

IN UNISON

Combined purchasing is as old as the hills; and the coming together of airlines through alliances, pooling and code sharing is ever present too; so, in these times of strife, where is all the combined purchasing of ground services? Raphael Bejar, Chief Executive Officer of Airsavings, speaks to Jo Murray

In good times and in bad, airlines join forces for the greater good of their shareholders and their customers alike. Not only have the airline alliances started to prove their salt in many areas of operation, we are now seeing more calls for airline consolidation – which are constantly rebutted by the regulators and the competition.

Nevertheless, airlines are combining wherever they can and so too are other parts of the aviation industry. From the ground services perspective we have also seen alliance – along very similar lines to that executed by the airlines. Aviance provides its network of handlers combined selling power across continents and is thereby better placed to compete with the large network handlers who, in the good days, had the clout to establish themselves, or grow through acquisition, wherever the market took them.

If combinations make so much sense, why is there not more joint procurement of ground services, particularly through alliances? While we wait for more action on this front, we are seeing the emergence of companies like Airsavings. This is a company that, as the name suggests, specialises in facilitating cost reduction and revenue generation. It employs a group buying system to combine the purchasing power of several participating low cost and mid-sized carriers in order to obtain pricing on a wide range of goods and services comparable to that procured by their legacy competitors. The company has implemented this strategy successfully in Europe, and has recently expanded its group buying services to Asia and Africa.

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company seven years ago with the strategy to put together the medium sized carriers which operate between five and 35 aircraft. By putting them together around purchasing pools, we are able to help them in the organisation of their purchasing.” In fact, each year, Airsavings organises joint tenders for the purchase of over: 190 million gallons of fuel at 280 airports; 12,000 handling movements at 120 airports; and 50 airport lounges all over Europe, among other services.

“We help with the reduction of these airlines’ purchasing costs, the optimisation of their contracts and we try to improve their operations,” Bejar adds. “We started with fuel but we also took this approach with ground handling, and catering equipment, and then we started an ancillary revenues division.”

So why is there space in the market for a company like Airsavings when airline alliances are very well established and have already made their mark in terms of code sharing and marketing? Where is the joint purchasing through alliance? “Exactly,” says Bejar emphatically. “The alliances started joint purchasing a couple of years ago but when we started seven years ago there was very little joint purchasing.”

The Airsavings approach delivers successful joint purchasing power to its member airlines as long as all the members adhere to the disciplined approach put in place by the Airsavings system. “To do this kind of exercise, the most important parameter to enforce is discipline. Airlines can participate in just the fuel tender or just the handling tender but once an airline has decided to join a tender it has to be very very focused on

it, and leave the leadership of the tender to Airsavings,” says Bejar. “There is real time reporting feedback to each of the purchasing managers of the airlines and before launching the tender there is a round of analysis so that we understand what each airline prefers in terms of services and suppliers.”

Ultimately, Airsavings signs the contract with the ground service provider and then the contract is signed by the ground handling company and the airline. “We do not want to put a wall between the ground handler and the airline. We are just a kind of hub,” he adds. The contracts are not necessarily just signed with network handlers across numerous locations; it is equally important to close a multi-airline deal with a niche handler at a single location. Airsavings has also been in the market for the joint purchasing of ground support equipment, and although a couple of deals have been done, this area has been less successful than the joint purchasing of handling services.

But all joint purchasing succeeds on the basis of volumes and the prevailing conditions for airline operations mean that the airline market ought to be smiling on Airsavings which is searching for other areas of procurement to combine. Joint check-in methods are on the Airsavings radar but the swell of demand is not there yet.

Of course not all ground service providers welcome the joint approach to procurement. But in the fight to retain market share, joint procurement might just be a dynamic handlers will have to accommodate increasingly going forward. 