

# Virgin Atlantic Airways

## Improving in-flight services

Virgin Atlantic Airways is the UK's second largest long haul carrier.



Offering regular services to 25 destinations world wide and voted Best Long Haul Business Airline and Best Transatlantic Airline 2004, Virgin Atlantic Airways is one of the world's most acclaimed airlines. Leaders in innovation, they are the launch customer for the Airbus A340-600 and created the revolutionary Upper Class 'Suite'.

### **Business growth and service leadership**

Virgin Atlantic Airways (VAA) was seeking to grow and improve margins by increasing flight frequency, opening new routes, changing aircraft configuration, introducing value-added services and reducing operating costs.

An opportunity was identified to consolidate the market-leading position of VAA's in-flight services through more sophisticated management of the supply chain. In particular, the business sought to create more cost effective and agile supply capability, while strengthening quality and consistency of the in-flight experience. In-flight services include all above-wing aircraft turnaround products and support services as well as passenger food and non-food products.

A major re-design of the in-flight services supply chain was planned and Tefen Management Consultancy was appointed to support the project. Re-structuring and extension of existing outsourced services was a key element and our depth of outsourcing experience was one of the main reasons for the appointment.

**“Tefen ided this project with significant supply chain expertise which, working closely with Virgin Atlantic people, enabled major re-design of our supply chain Tefen's approach was thorough and professional throughout and the dedication of their consultants is a credit to them.”**

**Nick Dobney**  
Head of Procurement

**Project Conducted by ERSKINE  
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A joint VAA and Tefen team took a fresh look at how the supply of in-flight services could be structured and managed. From this work a statement of requirements was produced and VAA's initial concepts were developed into more practical solutions. These included new ways of organising supply responsibilities between VAA and its service partners.

An invitation to tender (ITT) was then issued to a short-list of service companies. The specifications were deliberately kept open-ended in order to test the market and challenge bidders to introduce their own innovations. Despite early concerns that the proposals might exceed supplier capabilities, several strong and highly individual bids were received.

We designed and led the bid evaluation process, providing the structured approach needed to ensure that all bidders were thoroughly tested and given equal opportunity. The evaluation activity included members of the joint project team assessing questionnaire responses, conducting site visits and taking up bidder references.

Until this point, no final decision had been made about outsourcing, the scope of the contract or whether to contract with one or more service partners. With our facilitation, the decision was taken to proceed with a single bidder, with contract scope and transition timetable tailored to suit VAA's aims and the characteristics of the new partnership.

While assisting with contract negotiations, we helped shape the operational aspects of the new arrangements and supported decisions about commercial aspects such as service level targets, incentive regimes and service credit structures. We also ensured that contractual terms were valid and agreed by both parties.

The final contract was signed only a day later than originally planned, an achievement that many thought was impossible at the outset of the work.

#### **Business Benefits**

**Business growth** - VAA now has the in-flight services capability to support planned new routes and increased flight frequencies.

**Customer service** - the new arrangements will provide greater consistency and reliability of service by using the same provider at all destinations.

**Direct costs** - the new strategy is designed to reduce direct costs and provide greater financial control and flexibility.

**Asset utilisation** - the new operational processes are designed to reduce aircraft turnaround times.

**Business agility** - the new strategy enables VAA to start or close routes more cost effectively and efficiently.

**Business information** - linking VAA's IT systems to the service partner's gives both parties the most up to date information possible.