

Philippine Airlines

Pleasant surprises for profitability

Lucio Tan, the owner and Chairman of Philippine Airlines (PAL) was faced with a problem. Despite unacceptable levels of profitability, higher levels of passenger boardings for the approaching summer indicated that a sharp increase in staffing levels was required. Faced with this request from his management team, Mr. Tan, having heard of some effective consulting work carried out by Renoir Consulting in the Philippines, asked Renoir to conduct an analysis of his Manila operation.

Airline competition in southeast Asia is fierce, with some of the best airlines in the world competing for market share and the high yield business travelers. Chief amongst that competition for Philippine Airlines is Singapore and Thai airlines. Their vastly superior on time performance helped them to dominate the higher yield business market, forcing PAL to scramble for the lower end leisure and contract worker markets.

ANALYSIS

The Analysis at Manila confirmed Mr. Tan's gut instincts. The proposed additional complement of over 600 staff could be reduced by over 500, provided some changes took place. Chief amongst these changes were maintenance and cargo performance improvements. The management team didn't believe that a consulting company without any airline experience would be an effective partner but they were in for a surprise.

PROJECT

Renoir's approach is to engage the workforce so that they understand and own the solutions to the issues. Highly practical workshops and on the job training and coaching result in real and significant improvements that are uniquely sustainable.

World Class maintenance programs were implemented and small management action teams enthusiastically threw themselves into transforming the operation.

OUTCOMES:

In addition to a rapid improvement to a very competitive On-Time performance level, the financial and operational results were staggering:

Key Results

Reduced staffing
requirement

Better equipment utilization

Better on-time performance

Better high yield fare
retention

Staffing

	Original Request	Actual Required
international	494	93
Domestic	20	- 4
Cargo	125	12
Totals	639	101

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Ground Equipment Availability

	Historical	New
Tow tugs	61.4%	82.2 %
Air stairs	81.7	90.1
Belt conveyor	75.2	97.5
Lower deck conveyor	74.1	99.0
Shuttle bus	60.1	76.3

Renoir’s initial work in terminal operations was extended to cargo & maintenance. In addition to the direct benefits generated, the better on-time performance resulted in improved high yield passenger retention. Finally, as a further endorsement of confidence, Renoir was asked to work at Mr. Tan’s Asia Brewery.

THE RENOIR GROUP

Renoir Consulting is a world leader in sustainable, implemented change. Founded in 1994, Renoir has offices located in North and South America, UK, Europe, Turkey, Middle East, Southern Africa, India, Pakistan, China, South East Asia and Australasia. With over 350 fully employed and highly trained consultants, their work across a wide range of industry sectors gives them a broader perspective of the issues facing your business, allowing them to be sensitive to your unique challenges, culture and specific business issues. This cross-pollination ensures truly effective, rapid and sustainable solutions.

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