Boeing to Benefit from European Leisure Market Consolidation

Boeing estimates the European leisure travel market will grow from 3 to 5 percent annually over the long term despite flat growth in the near term, and expects to benefit from the consolidation of the market that has occurred over the last few years.

"As the commercial airplane market leader, we believe the recent consolidation of the European travel industry will be a positive thing for us," said Drew Magill, Boeing Commercial Airplanes regional director of Marketing.

Speaking at the ITB Berlin 2001 travel and tourism trade show, Magill said the six big leisure groups will be optimizing fleets to one or two types to take advantage of cost savings associated with using the same flight crews, spares and ground service equipment. "Most of the airlines in the major leisure groups have mixed fleets of airplane types as a result of merged airlines within the groups," he said.

Boeing is working on new ways to help the leisure groups manage their fleets across different markets.

"For example, we want to make it easier for our customers to move airplanes from, say, the U.K. one year to Germany or France the next," Magill said. "One of the ways we are doing this is making it easier to change interior configurations."

Boeing has been a major partner with tour companies and their affiliated airlines since the earliest days of the industry. Over the years, Boeing has supplied about 425 airplanes to charter airlines, four times that of its major competitor.

"Currently about 70 percent of the airplanes flown by the major leisure groups are Boeing models," Magill said.

Boeing airplanes carry European charter passengers more than 500 million kilometers (315 million miles) a year. With European charter operators, the Boeing 757 is the most popular airplane of all time. One out of three airplanes flown by the major groups are 757s. Together, Boeing 757s and 767s account for 50 percent of the airplanes used by these groups. The Boeing Next-Generation 737, entered service in November 1997, already has won a share of 13 percent of the major leisure groups' fleets and is still increasing in popularity.

Over the last three years, the large leisure groups have been building their organizations vertically - adding travel agencies, tour operator brands, airlines, hotels and even cruise ships, according to Magill. Now that they have achieved, for the most part, a high level of vertical integration, the groups can focus on other objectives.

"The industry has changed significantly in the last few years, with the consolidation of several tour companies into six major leisure groups," Magill said. "They are Preussag, C&N, Airtours, First Choice, Rewe and Kuoni."

He predicts that now that the major consolidations are complete, the key groups will focus on delivering ever-increasing levels of value to their leisure customers.

"Now the leisure groups are focusing on delivering consistent quality across every aspect of the holiday -- from the time customers spend in travel agencies or on web pages choosing their vacation through the air travel itself and the hotel stay," Magill said. "They also will be more interested in building their organizations horizontally; that is, across different European markets such as the United Kingdom, Scandinavia, Germany, France, and so on."

A key area of focus of the next few years will be distribution.

"All of the large leisure groups are working to leverage their networks of travel agencies while at the same time launching web sites and interactive TV channels to attract new and independent travelers," Magill said.

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