



## Our key performance indicators

We have established a balanced set of performance indicators for our business, both financial and non-financial, to improve our performance over time. As part of the business planning process, and in line with our agreed strategic objectives, the Board sets annual targets for each of these key performance indicators (KPIs).

The following KPIs were set for 2007/08, with our performance against them detailed on pages 32 and 33.

## Financial

We must achieve a consistent, strong financial performance if we are to continue investing in the future success of the business and reward our shareholders through the payment of a dividend. Operating margin – which we define as operating profit divided by revenue expressed as a percentage – is the main way we measure our financial performance.

In 2002 we set ourselves a target of achieving a 10 per cent operating margin through the economic cycle. In 2007/08 we set ourselves the goal of hitting a 10 per cent margin for the year for the first time.

## Customers

Customer recommendation is a key measure of our success. Our Global Performance Monitor (GPM) survey, an onboard customer survey covering all the key stages of the flight experience, together with a follow-up online survey on the arrivals process, provides monthly insights into customers' views. The survey is carried out by GfK NOP, the independent market research company, and involves more than 55,000 customers each month.

The customer recommendation measure is based on the percentage of customers who, when surveyed, would highly recommend British Airways to friends, family or colleagues. Apart from being extremely important in its own right, we believe that this measure indicates how the customer experience will affect future profitability. Our target for 2007/08 was for 63 per cent of customers to be 'extremely likely' or 'very likely' to recommend British Airways.

## Operations

We must run a robust operation if we are to meet our customers' expectations and create a cost-effective business. Having Heathrow at the heart of our operations, with all its infrastructure constraints, puts a significant strain on delivering operational excellence, day in, day out.

Within our business plan we have focused our efforts on five key areas of operational delivery – the 'BA Basics'. Among these, departure punctuality is our primary operational performance measure. Punctuality ensures other operational

processes run smoothly and remains a key factor in whether customers would recommend British Airways to other travellers.

We call our chosen measure of punctuality 'Ready to Go'. This measures how many of our flights are prepared for departure at three minutes before the scheduled departure time. So many issues can have an impact on punctuality, but using this measure ensures we focus on the aspects of the departure process within our control. The target range for 'Ready to Go' punctuality for 2007/08 was set at 44-48 per cent.

## Employees

Progressive, high performing organisations are increasingly recognising that involved employees are more committed to organisational goals and values, and more willing to embrace change and improve customer service. Last year we started using an Employee Involvement index, as measured by an all-employee Speak Up! survey. This is run twice a year, with a full version in September and a shorter tracker version in March.

The Speak Up! surveys are conducted and hosted by the independent research organisation, Ipsos MORI, and are completely confidential. As a business we aim to match the involvement scores of other leading service sector organisations, and a target of 73 per cent for Employee Involvement was set for 2007/08.

# Business review continued

## Our key performance indicators

### Linking with our strategy

### Achievements in 2007/08

#### Financial

Despite weakening economic conditions and increasing fuel prices in the second half of the year, we focused on establishing a competitive cost base as part of the BP10 business plan to ensure we achieved record profits for the year.

We delivered record profits and an operating margin of 10 per cent in 2007/08.



#### Customers

BP10 redefined our customer promise under the banner of 'BA Basics and Brilliance'. This focused everyone in the business on delivering the 'BA Basics' to customers day in, day out, and developing products and services that offer 'Brilliance' where it really counts.

We achieved a customer recommendation score of 59 per cent during the year. This represented a fall of 2 points on the previous year, largely because of a disappointing performance on the 'BA Basics', particularly at Heathrow.



#### Operations

Delivery of the 'BA Basics' as part of the business plan is at the heart of our strategy for improving our operational performance. Punctuality, baggage performance, aircraft cleanliness, smooth connections and the reliability and product offering of our inflight entertainment systems are the key areas of focus.

'Ready to Go' performance averaged at 34 per cent during 2007/08, with a peak of 65 per cent in January 2008. This was a disappointing performance, which fell short of our target for the year.



#### Employees

An involved and motivated workforce is a key enabler to achieving the objectives in our business plan. Investing in and developing our people, through training and by ensuring all employees are equipped to do their jobs, is a fundamental building block in support of our plans.

The results of the MORI Speak Up! survey in September 2007 showed our Employee Involvement Index at 65 per cent.

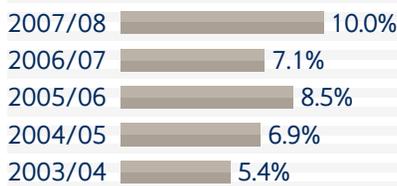


2008/09 will be a year of transition as our operations transfer between terminals at Heathrow. However, we are determined to deliver an improved customer experience and Terminal 5 will be a significant step in this direction, providing a fantastic opportunity for our customers and our employees.

**Performance over time**

**KPI measure**

**Understanding our KPIs going forward**



**Operating margin**

Operating margin will continue to be our key financial performance indicator. A more challenging economic outlook, the continuing rise in the price of fuel, and transitional costs relating to our move to Terminal 5 will all contribute to a reduction in our operating margin in 2008/09.



**Customer recommendation**

Customer advocacy – the likelihood of customers to recommend travel on British Airways – will continue to be our key customer metric in 2008/09. The move to Terminal 5, coupled with the continued investment in our inflight products and customer service on the ground, give us the opportunity to deliver improvement in this indicator over the next year.



**Punctuality – 'Ready to Go'**

Departure punctuality is key to our operational success, and focusing on the aspects within our control is critical. 'Ready to Go' performance does precisely that. A key driver of improved network punctuality over the next year is the performance at Heathrow. The move to Terminal 5, with its associated infrastructure and process changes, will begin to play a huge role in delivering improvements in this area.



**Not applicable**

We are currently reviewing the appropriate measure going forward for determining the level of employee involvement.