The way we run our business
The marketplace

Customers
Our customers are at the heart of everything we do. Our overriding aim is to make sure we offer an upgraded service to everyone who chooses to fly with us.

We talk constantly to large numbers of customers to get a real understanding of their needs, each month surveying around 57,000 of them through our global performance feedback survey.

By doing this we get a close and accurate reading of how our customers’ needs are changing and we are able to constantly improve their travelling experience. This is vital for us to to secure our position as the world’s leading global premium airline.

Service and training
Our people play a crucial role in providing the upgraded travel experience. We are committed to excellent service and are investing heavily in training customer-facing colleagues. Putting the customer at the heart of everything we do is also a key priority of our Compete 2012 change programme, described in detail on page 28.

These training programmes will continue in 2009, supplemented by service style training for our ground team at Heathrow and coaching for people in our contact centres in how to provide a more attentive and personal service.

Following the introduction of new corporate values last year, all training programmes have been redesigned. The behaviours are woven into all our courses to ensure colleagues, particularly those in customer-facing roles, meet our high standards.

During the year we delivered over 215,000 days of training. This included training days for cabin crew to enable them to deliver the highest level of premium service to our customers, and for ground staff to support the continued phased moves to Terminals 5 and 3 at Heathrow.

Ground experience
Terminal 5 continues to impress our customers. They are enjoying improved punctuality, shorter check-in times and an altogether smoother travelling experience.

Around 21 million customers used the terminal during the year and customer satisfaction has increased noticeably since opening. In direct response to customer feedback, we have further improved the experience since opening, for instance by introducing a dedicated premium check-in zone.

The luxurious lounge complex at Terminal 5 has also been exceptionally well received, with an increase of over 20 percentage points in customer satisfaction. The new lounges offer greatly improved facilities, including wine bars, spa treatments, delicious food and upgraded communication links.

We are now introducing similarly themed lounges across our network.

Onboard experience
The new Club World cabin layout was introduced on our Boeing 747 aircraft in 2007/08 and the roll-out was completed last year. Combining new levels of comfort, greater privacy and choice, the layout has achieved an increase in customer satisfaction, of over 20 percentage points.

We are now rolling out the new cabin on our Boeing 777 aircraft.

Later this year we will introduce a new First cabin and the new aircraft we have on order will allow us to introduce further innovations including new seating in World Traveller Plus and World Traveller.
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Average payment performance

91%
of payments were on time in the UK.

and privacy by keeping the middle seat free. Also, we have not forgotten our youngest passengers who can now enjoy an entertainment pack on longhaul flights featuring that much-loved character, Paddington Bear.

ba.com
ba.com – our online portal – is not only becoming more popular with customers, it is also helping us to drive down costs and increase revenues.

Almost a third of all our bookings are now made on ba.com, with almost half of all European leisure fares sold via the UK site. This year we introduced a new feature allowing customers to upgrade their booking at any time between buying a ticket and checking-in online.

A large number of our passengers now check-in online. They clearly enjoy the convenience of this service. For that reason we have now launched a popular new service, allowing customers to check-in or access real time arrivals and departures information through their mobiles.

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Cargo
BA World Cargo continues to focus on providing premium products. We have improved the ‘Prioritise’ (express) service through advancements in the new ‘cool chain’ technology. New services such as scanning for airmail and direct airport-to-door deliveries are just some of the improved solutions we are now offering shippers.

BA World Cargo also continues to play a leading role in simplifying the international supply chain. We are fully committed to the IATA coordinated e-freight initiative. Not only have we played an important role in formulating guidance for participating airlines, we were also the first European carrier to use e-freight between Heathrow and New York.

Overseas branches
We fly to a number of destinations around the world (see inside front cover). In addition to the overseas branches we have established in many of these countries, we have branches in countries to which we do not fly.

Suppliers, partners and alliances

Suppliers
Overall supplier costs, excluding fuel, were up nearly 7 per cent year on year, reflecting significant inflationary pressures on suppliers’ own costs. In continuing to control our costs, we have decided to prioritise those projects that really add value to the customer proposition.

Goods and services are procured through a strategic sourcing process. We use benchmarking principles to make sure we derive the maximum value from them, both at the point of purchase and over the life of the supply contract.

During the year we signed major in-flight catering agreements with three suppliers, all of which will come into effect from April 1, 2010. We believe these agreements will set a new benchmark for high-quality airline catering. Using three suppliers will also help us to minimise our exposure to supplier failure.

We continued to reduce our carbon footprint with the delivery of the first of our new Boeing 777 aircraft during the year. Lower fuel burn and reduced environmental impact were key factors in our choice of aircraft.

In addition, we have selected the Thales in-flight entertainment system for all new aircraft delivered from 2010. With bigger screens, the multimedia system will give customers access to over 100 movies, 300 programmes and 400 CDs as well as a range of radio programmes and podcasts.
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whenever they want. The system is lighter so will also help us reduce aircraft weight and use less fuel.

Supplier risk
Mitigating supplier risk is a key priority, particularly in the current economic climate. Our procurement team records and measures risk across our most important suppliers. We have currently identified a number of suppliers who, if they ceased trading or experienced severe difficulties, would have a serious impact on our ability to operate. For these suppliers, risk is measured across five dimensions, updated each month and we take mitigating action when any supplier is deemed to be in trouble.

In addition to managing supplier risks, we also routinely monitor the financial health of critical suppliers using monthly Dun & Bradstreet company reports as an early warning system.

We use business continuity plans to cover the risk of supply failures and regularly review their effectiveness with the suppliers themselves. Equally, we make sure effective contingency plans are in place to respond to any supply interruption.

Payment performance
We have again made good progress on paying suppliers in accordance with our agreed terms. On average, 91 per cent of payments were on time in the UK for the year ended March 31, 2009. This compares with 88 per cent in the preceding year and exceeds our 90 per cent target. Next year we expect to improve further through increased use of e-invoicing and purchasing cards.

We are a signatory to the Confederation of British Industry (CBI) code of practice on supplier payment and are committed to paying our suppliers on agreed terms. The number of days’ purchases in creditors at March 31, 2009, is calculated in accordance with the provisions of the Companies Act 1985 and was 32 days (2008: 33 days).

Corporate responsibility in the supplier base
We are committed to making responsible purchasing decisions, and during 2008/09 started to refine our purchasing process and train our procurement team to make sure this happens. We will continue to survey potential suppliers to assess their corporate responsibility credentials, using independently-held, self-certification data when deciding with which suppliers to work.

Procurement delivery
Using preferred suppliers helps us to control costs. In December 2008, 96 per cent of our external spend was with 500 suppliers who have all been awarded formal preferred supplier status. Increasingly we are also making sure our spend goes through our approved order-based process. In December 2008, 99 per cent of spend was approved this way.

Partners and alliances
We maintain commercial arrangements with other airlines covering scheduled passenger and cargo services on a small number of our international routes. Commercial arrangements can govern, among other things, capacity offered by each airline, how revenue is shared between the airlines and how schedules are coordinated. In very few cases, some commercial arrangements between ourselves and other airlines are required under the relevant air services agreements.

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