

Media Owners

JC Decaux's UK based revenue has dropped 12.1% in Q3 according to their latest posted results. Between July and September their profits fell to €431.8m with billboards suffering the most with an 18% decrease. This news comes after the company claimed they experienced an upturn in September. Despite Summer being the absolute trough in a difficult year, it is yet to be seen if Q4 will pick up enough to end the year on a comparative high for the company. It also highlights the battle for budgets raging between traditional and newer formats.



CLEAR CHANNEL OUTDOOR

It is not just JC Decaux who is posting profit slumps for Q3. Clear Channel's international division experienced a drop of \$384.1m, down 22% year on year. Things looked better across the pond, with the Americas down by a far less but still hefty 15%. Clear Channel is making changes to their team in light of these losses with the key appointment of Pru Parkinson as the new international marketing director of the company.

Over at Kinetic, new roles are being mapped out for their UK operation. Alex Thompson the former chief executive in Asia Pacific is appointed as Head of Business Development in London for the UK and Chris O'Donnell is heading up the APAC region as the new Chief Executive. These moves are part of general shake up of the OOH specialist which is designed to 'drive development... and cohesion across the network'. Kinetic will be fully bought out at the end of this year, when WPP take the remaining 50% stake of the company.



Airlines

Following BBC Panorama's rather unflattering glimpse into Ryanair, the airline has posted an increase of profits, once more proving Michael O'Leary's claim that they are indeed the 'world's favourite airline', if only because of necessity! Carrying nearly 70 million passengers per annum, profits have been declared as €387 million. The BBC's documentary was in effect a 30 minute advertisement for the airline, rather than a "shocking expose". It showed that in fact Ryanair have one of the youngest fleets in the business with sufficient buying power to keep Boeing and Airbus on their toes. They carry almost 70 million passengers to destinations that, up until Ryanair got in, would have been virtually impossible to reach. One good point raised was that Manchester Airport stood up to Ryanair following their demands to cut their fees. This led to Ryanair pulling the plug on 9 out of 10 services from the airport.





Airlines Cont'd...



easyJet by contrast are having a more torrid time and have announced a fall of 50% in their profitability. Despite carrying 3.4% more passengers leading to a 13% rise in revenues, the airlines' fuel hedging policy has meant that it lost out when prices in oil moved drastically. This should be reversed in 2010 when it stands to gain approximately £100m, for the same reason.

bmi is proving rather a thorn in the side for Lufthansa who having found themselves obliged to take ownership of the once profitable airline, now find a mainly domestic airline with no real future in the transatlantic routes that it had once so earnestly coveted.



As we have hinted in previous issues, it remains to be seen what Lufthansa plan to do with the airline whose top destinations are used by business passengers on the short haul highways of the UK. One of bmi's biggest assets is its 11% share of take-off/landing slots at Heathrow, each of which is worth enough to appear in its annual accounts as a valuable item.



BA and Iberia merger appear to have merged in a \$7 billion union that will take place within the next year. It has been an 18 month courtship but finally, as BA announced profit slumps of £292 million and Iberia a little less than half of that, it seems that it will all come to fruition. The merger has been well received by most of the industry apart from Virgin Atlantic who voiced concerns over competition problems, and Ryanair who described it as "two drunks trying to prop each other up!" Both BA and Iberia will benefit from new routes for both flag carriers coming on the back of the deal. BA will be able to tap into the transatlantic South American routes that Iberia dominates and Iberia will be able to serve Asian destinations that BA currently has.



Airports & The Aviation Industry

It seems the first green shoots of passenger number stability and growth are starting to appear; ACI published their audited figures that show that worldwide passenger figures have been stable for the last two months. This flattening of the slump that followed has mainly been due to the increase in domestic passenger numbers and the countries who have weathered the recession namely China, Brazil and India (all incidentally are BRIC countries too). International traffic was still down 1.1% but improved on the 2.2% that was reported in August. The Middle East is still the hands down best performer of all regions and showed growth even on last year, with total passengers growing 13.3%. This remarkable strength of market proves that, along with China, the Middle East is one of the keys to the future success of global aviation.



Mumbai Airport



Airports & The Aviation Industry

The biggest story of the month is the sale of London Gatwick to Global Infrastructure Partners, a consortium made up of 12 banks including Credit Suisse, RBS, Santander and Societe General. The final cost to them was £1.1 billion, a seemingly large figure but when compared to London City's price for 50% share that they paid three years ago, £750 million, it seems a bargain. Gatwick handles ten times more passengers per year than LCY but was only valued at twice the smaller airport's sale price. A rather bereft BAA is licking its wounds and plans to focus 'on improving Heathrow and other airports'. It remains to be seen (a) how the enforced sale of Stansted and Glasgow proceeds and (b) who will win the tender for the advertising concessions across its airport estate, but watch this space.....

A special report this month focuses on PSI's own Charlie Hugill who in his capacity as Creative Intelligence Director has been investigating some of the key issues surrounding the aviation industry, with a view to protecting the interests of our clients and keeping our knowledge bank as insightful as possible.



The first topic for debate has been of the proposed third runway at London Heathrow. This runway may be the key to keeping London Heathrow as the international transfer hub and gateway to the globe that it presently is. However it has considerable opposition from several organisations including the Conservative Party. Charlie wrote to them this month questioning how they propose to attract international visitors to the country by simply promising 'improvements to the domestic rail infrastructure'. The reply he received would not have been out of place from a marketing agency, as the Tories appear to be aligning themselves with supporters from organisations such as Sainsbury's and The Carphone Warehouse (do they still even exist?).



.They then went on to explain how a high speed rail link connecting the Channel Tunnel would be preferable to a 3rd runway because continental Europeans use their own rail services to avoid short haul flights.

However with the current cost of travelling a mere 100 miles nearly the same price as an air ticket to Paris or indeed most key European capitals, the British rail system would need to change drastically for any international or indeed British passengers to feel they were not being literally cheated.

A second letter received from the shadow Transport Minister, Julian Brazier MP, covered much the same ground with more being made of the environmental concerns that the Tory opposition has. In his letter however he states that 'EU permitted levels, from next year, are already being exceeded by the combination of the M4 the M25 (sic) and flights into Heathrow'. Surely, this serves only to confirm that Heathrow is part of the problem and that car pollution (and indeed driving to the station to board your train) accounts for 60% of the pollution in that area. Plane Talk will update any further response received.

On a separate topic, Charlie was asked by the ACI to write a piece on the value of airport advertising as a dynamic medium. Published last month, the article not only outlines the true value of the medium for both clients and airports but argues that - contrary to the belief that conventional formats prevail, approximately 60 variants exist in airport environments around the world. The article also showcased the huge explosion of digital in airports describing the way it is bought and sold and how it is best done when 'the landlord i.e. the airport and the site vendor i.e. the contractor or concessionaire' work together. The piece also refers to recent research Plane Talk has publicised by EYE and JCDcaux proving how digital engages the passenger more than traditional signage: 'Typically they will look at the same panel screen up to twice and during a normal journey through the terminal will experience as many as 100 advertising "impacts"'. This article demonstrates that as well as airports themselves, their media offering is evolving at an equal pace.

More next month!