

# **RBS Morgans**

## **2013 Institutional Conference**

Presentation – Blended Travel  
by Andrew Flannery (CFO)  
9 October, 2013

# Killer theme: Travel agent to travel retailer



**Flight Centre Limited is transitioning from a travel agent to a world class retailer of travel products to leisure and corporate customers**

***Being a world class retailer means we are the brand/business people identify with and go to***

***It is very different to being an agent, a middle man, a dealer for someone else's product***

# Killer theme: Travel agent to travel retailer



**FLT's killer theme is aligned to company's longer term strategic "foci" and built around seven mini-themes:**

- 1. Brand and specialisation – brands with clear CVPs that mean something and are relevant to customers**
- 2. Unique product – ours, not always someone else's**
- 3. Experts, not agents**
- 4. Redefining the shop – a place where customers engage with the brand**
- 5. Blended access – the focus of today's presentation**
- 6. Information as power**
- 7. A sales and marketing machine**

# Blended access: Creating a new travel category



- ❑ **Unique leisure travel offering that OTAs and suppliers cannot replicate**
- ❑ **Similar to FLT's corporate travel model and refined for leisure business after studying and meeting high profile retailers from other sectors**
- ❑ **Draws on strengths of both the on and offline models**
- ❑ **Ensures FLT's brands are available to customers when and how they want – online, offline, shop, email, chat, phone or SMS**
- ❑ **Will ultimately allow customer interaction in any channel at any time throughout the travel cycle (dream, plan, book, experience, share)**
- ❑ **Omni channel focus – improvements taking place across all sales channels**

# Blended access: Three key phases



- ❑ **Phase 1**
  - **Taking away customers' "pain points" by blending pre and post booking phases – ability to enquire, pay and view itineraries online**
  
- ❑ **Phase 2**
  - **Making more products and services available online while expanding offerings across other sales channels**
  - **In place for Flight Centre brand in Australia but a W.I.P elsewhere**
  
- ❑ **Phase 3**
  - **Rolling out a fully integrated model**

# Blended access: flightcentre.com.au milestones



KEY MILESTONES	STATUS	ELEMENTS
PHASE 1	✓	<ul style="list-style-type: none"><li><input type="checkbox"/> Pre and post booking processes blended</li><li><input type="checkbox"/> Customers able to enquire, pay and view itineraries online</li><li><input type="checkbox"/> Content-rich itineraries delivered</li></ul>
PHASE 2	✓	<ul style="list-style-type: none"><li><input type="checkbox"/> More products and services available online</li><li><input type="checkbox"/> International fares, global hotels, car hire, insurance</li><li><input type="checkbox"/> Online access to human search engines - Consultant "Select" model delivered</li><li><input type="checkbox"/> Perfect Match trialled, Chat set for 1H14 launch</li></ul>
PHASE 3	WIP	<ul style="list-style-type: none"><li><input type="checkbox"/> Work continues on fully integrated model</li><li><input type="checkbox"/> Will ultimately allow customers to switch seamlessly between sales channels and devices at any stage</li></ul>

# New initiatives: Redefining the shop



- ❑ Incorporating new features, new technology and 24/7 capability
- ❑ Focus on specialisation – experts in each brand’s specialty, not agents
- ❑ Digital innovations
- ❑ Department store-style product zones
- ❑ Store trading hours extended and round-the-clock sales teams set up in Sydney and Brisbane
- ❑ Growth in 24/7 capability meets customers’ changing expectations of retailers – circa 25% of enquiry in Australia now generated after 6pm
- ❑ 2<sup>nd</sup> Australian hyperstore (housing 60-70 consultants) opened Oct 1 in Brisbane’s Queen Street Mall

# Redefining the shop: Queen Street hyperstore



DESTINATION	RETURN FLIGHTS	DESTINATION	RETURN FLIGHTS	DESTINATION	ONE WAY FLIGHTS
WELLINGTON	\$349	DANUATU	\$505	NEWCASTLE	\$69
NEW YORK	\$189	RO41	\$656	HOBART	\$79
AUCKLAND	\$408	SINGAPORE	\$726	BALLINA	\$79
HONG KONG	\$860	BEIJING	\$810	ROCKHAMPTON	\$96



# New initiatives: Enhanced online functionality



- ❑ More services and features online – websites are FLT’s largest shop-fronts
- ❑ International flights added to flightcentre.com.au – product range now includes fares to 2700 destinations, global hotels, car hire and insurance
- ❑ Transactional website launched in South Africa during 1H14. Liberty (US) site also set for 1H launch
- ❑ Device responsive sites – flightcentre.com.au automatically renders for iPad, iPhone and desktop
- ❑ “Evergreen” content delivered – information, travel tips, blogs, social media
- ❑ Proactively using web to promote manufactured fares that can’t be transacted online
- ❑ Enquiry routing to specialist consultants

# Blended access: On and offline options









## FLIGHT CENTRE

*The Airfare Experts*

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Search
Select
Travellers
Payment
Itinerary

## Review flight

<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: left;">  <p>VA 7473 <b>Virgin Australia</b> <small>Operated by Etihad Airways</small></p> </div> <div style="text-align: right;">  <p>EY 11 <b>Etihad Airways</b></p> </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 30%;"> <p>17h 40m</p> <p>Brisbane (BNE) <b>11:55</b> Fri, 15 Nov 13</p> </div> <div style="width: 30%; text-align: center;"> <p>1 stop</p> <p>3h 0m</p> <p>Abu Dhabi (AUH)</p> </div> <div style="width: 30%;"> <p>8h 0m</p> <p>London (LHR) <b>06:35</b> Sat, 16 Nov 13</p> </div> </div> <p style="text-align: right; font-weight: bold; margin-top: 5px;">28h 40m</p>	<h3>Cost Breakdown</h3> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">1 x Adults</td> <td style="text-align: right;">AUD \$1 494.65</td> </tr> <tr> <td>Booking fee</td> <td style="text-align: right;">AUD \$28.00</td> </tr> <tr> <td><a href="#">Merchant fee</a></td> <td style="text-align: right;"><i>select payment type</i></td> </tr> <tr> <td style="border-top: 1px solid #ccc;"><b>†SUBTOTAL</b></td> <td style="text-align: right; border-top: 1px solid #ccc;"><b>AUD \$1 522.65</b></td> </tr> </table>	1 x Adults	AUD \$1 494.65	Booking fee	AUD \$28.00	<a href="#">Merchant fee</a>	<i>select payment type</i>	<b>†SUBTOTAL</b>	<b>AUD \$1 522.65</b>
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Send to travel expert >>

OR

Book online >>

Want to tailor this itinerary?  
Prefer to pay offline?

Book & pay online.  
Charges will apply



# New initiatives: Customer engagement



- ❑ Aligned to “Experts, not agents” mini-theme
- ❑ Delivering the right product to the right person at the right time
- ❑ Customer and consultant profiling
- ❑ Consultant Select model in place on [flightcentre.com.au](http://flightcentre.com.au) – allows online customers to select a consultant for advice and/or help
- ❑ Will evolve into Perfect Match – pairing customers with consultants who have recent first-hand experience of the customer’s chosen destination
- ❑ Perfect Match concept trialled in QLD during FY13 for London flight enquiries. Conversion was circa 7 times normal London conversion
- ❑ “Chat” now in place on [flightcenter.com](http://flightcenter.com) (US), [studentflights.com.au](http://studentflights.com.au) and [escapetravel.com.au](http://escapetravel.com.au) and set for launch on [flightcentre.com.au](http://flightcentre.com.au)
- ❑ Chat conversion in USA is three times higher than general conversion

## And finally: An A, B, C of FAQs



**A = Acquisitions**

**B = Business travel**

**C = Capital management**

# Acquisitions



While FLT's primary focus is on organic growth, the company expects to complement this with strategic acquisitions from time to time

## Possible targets

- Vertical integration opportunities without taking on major capital assets
- Destination management companies
- Coach touring – potential synergies with FLT's UK-based Back-Roads Touring business
- Hotel management arrangements

# Business travel



Now represents 30-35% of global turnover and a future growth opportunity

## Overview

- ❑ FLT is Australia's largest corporate travel manager and a top 5 or top 10 player in many other markets
- ❑ Five corporate brands with specific focuses – FCm, Corporate Traveller, cievents, Campus Travel and Stage & Screen
- ❑ Corporate Traveller has SME focus – targeting unmanaged accounts
- ❑ Expanding BDM network globally to win more accounts
- ❑ Strong footprint developing in the \$200billion-a-year USA corporate market – will be represented in 17 US cities by June 2014
- ❑ USA corporate now FLT's largest business outside Australia (by turnover)

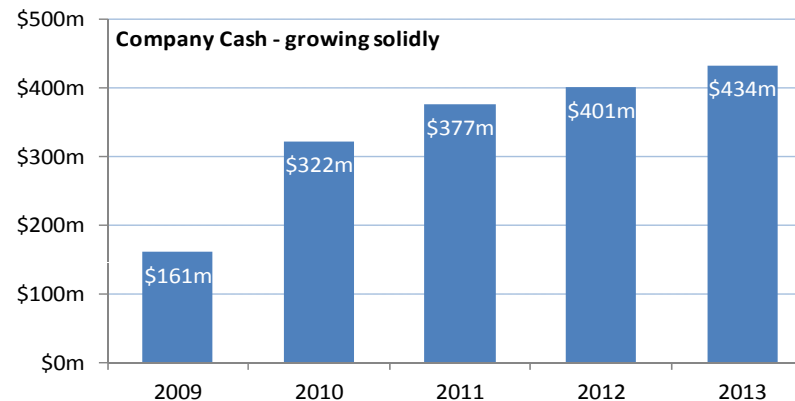
# Capital management



**FLT continues to grow cash reserves and had more than \$400m in general funds (company cash) at 30 June, 2013**

## Overview

- ❑ Internal aim is to preserve three months' operating cash (circa \$400m)
- ❑ Funds will decrease during 1H14 after dividend and tax instalment payments
- ❑ Shift to monthly tax payments in Australia (Jan 2014) will also affect cash
- ❑ May also use cash to fund small acquisitions
- ❑ Board will consider returning surplus funds to shareholders if and when company cash significantly exceeds requirements
- ❑ Current preference is to increase normal dividend yields (pay-out ratios)



# End of presentation



Questions?