

Dynamic Trader

No matter what the context, when you mention the words Turkish Airlines in aviation circles, everyone has an opinion. Seemingly out of nowhere, its distinctive red tail has appeared at every airport in Europe, the Middle East and Central Asia. It started flying back in 1933 and remained a small, unremarkable national carrier until 2001 and the terrorist attacks against the US. The 9/11 atrocities, which ultimately led to the collapse of European giants such as Swissair and Sabena, perversely saw the Turkish company prosper. In 2001 it carried 10 million passengers and recorded a profit of \$55 million; by 2005 it was carrying 14 million and last year (2011) transported 32 million passengers, a 30% rise over a ten year period. With a fleet of brand new wide-bodied airliners, additions to its route network every few months and with a



healthy-looking balance sheet, Turkish is now noticeably bucking the world economic trends.

However, the question that keeps coming up is: how has an airline that in 1985 could only field a handful of older twinjets managed to become a global player and financial success story in such a short period? The company's corporate answer is self-effacing: "Turkish Airlines is operating in a fairly standard way for a national flag carrier." However, Dr Temel Kotil, its CEO, puts it slightly differently, saying in a recent BBC interview: "In 2006 Turkish Airlines went public and the government relinquished its overall control. At that time the customer became the most important thing. When our customers became the priority, success followed."

Neither of these statements do justice to a company that not only flies people from São Paulo to Mumbai faster than any US or European flag carrier, but also serves four cities in Iraq, eight in Russia and has recently announced a new rotation to Mogadishu, the civil war-torn capital of Somalia. No other European airline has such a diverse Middle Eastern and Central Asian network of routes.

Raf Jah charts the recent rapid expansion of Turkish Airlines and discovers how the carrier continues to fend off the effects of the global financial downturn.

Formed as the State Airlines Administration on May 20, 1933, the airline soon became known as Turkish Airlines. (Both Turkish Airlines)



The key to the Turkish success story is threefold: dynamism, service and good business management.

Dynamic Narrow-Body Principle

Turkish Airlines has one advantage that no other carrier can claim – its unique global location, poised on the edge of two continents, Europe and Asia. The nation's largest city, Istanbul, is halfway between Dublin and Muscat, while four hours' flying in either direction brings you to the boundary of the European



continent, the edge of the Arabian peninsula or the Syr Darya River in Central Asia.

This locational advantage was seized upon by the airline which started to fly narrow-body aircraft in each direction. These single-aisle jets are cheaper to buy and operate and, more importantly, easier to fill. The Turkish business model is even more interesting when demand for seats rises – instead of using larger-capacity jets, frequencies are increased instead. This model has taken Europe by surprise. For example, a

Turkish Airlines' operates several logo jets including this example, a Boeing 777-3F2ER, TC-JJI (c/n 40709), which publicises its sponsorship of Barcelona Football Club. (Airteamimages.com/Adrian Jack)

Turkish Airlines' Chief Executive Officer, Dr Temel Kotil, has overseen a rapid transformation of the company's fortunes. (Turkish Airlines)

Turkish Airlines' Boeing 777-3F2ERs, TC-JJP (c/n 40797) Ankara, at Los Angeles International Airport. (Airteamimages.com/Oliver Comeloup)

"NO OTHER EUROPEAN AIRLINE HAS SUCH A DIVERSE MIDDLE EASTERN AND CENTRAL ASIAN NETWORK."



British airline can only use an Airbus A321 from London to Tehran, whereas the Turks can fly one from London/Heathrow to Istanbul, and then on to Mumbai or Nairobi after re-fuelling or with a change of aircraft. In order to replicate this same route from the UK, a British company would first have to buy and then run a more costly wide-bodied intercontinental jet on the rotation. Similarly disadvantaged are the Gulf states' national carriers, all of which are seven hours' flying time from London and operate high-density loads using wide-bodied long-range jets.

In addition, Turkish Airlines has employed a sense of dynamism. Dr Kotil said he wanted Turkish to become the world's largest airline, and by that he meant the carrier with the largest and most comprehensive network. To even get started towards achieving such a goal, conservative, risk-averse policies would not have worked. The airline's Central African services are a case in point. These routes were aggressively sought-after, and when landing rights were eventually gained, Turkish didn't have enough aircraft to fly the Entebbe, Uganda and Dar es Salaam, Tanzania links. So to start these rotations, it wet-leased an A330-200 from British Midland International - bmi on a temporary basis; and when an A330 from its own fleet became available, the bmi aircraft was returned. However, the load factors proved too low to justify a wide-bodied

airliner, so the Entebbe rotation was switched to a Boeing 737-800 while the Dar es Salaam and Nairobi flights are flown independently using 737-900ERs that had just started to be delivered at the time. According to the company, ten 737-900ERs have been

This Turkish Airlines Boeing 737-8FZ, TC-JHF (c/n 35745), *Ayvalik*, is one of 51 of the type currently flying with the carrier, which has another 18 examples on order. Seen here on final approach, the aircraft is wearing a special livery promoting the 2010 International Basketball Federation's (FIBA) World Championships. (Airteamimages.com/ Steve Flint)

Pictured taxiing onto the active runway at London/Heathrow Airport is this Turkish Airlines Airbus A321-231, TC-JRP (c/n 4698), about to depart on a rotation to Istanbul's Ataturk International Airport. (Airteamimages.com/ Darryl Morrell)

"THE KEY TO THE TURKISH SUCCESS STORY IS THREEFOLD: DYNAMISM, SERVICE AND GOOD BUSINESS MANAGEMENT."



ordered specifically for these routes. The jets have a comfortable 150-seat configuration and each features the new Boeing Sky Interior. Due to the lower numbers of passengers flying these routes, the 737s' range has been increased to encompass rotations of seven hours' duration.

Oriental Hospitality

In addition to this dynamism, another major asset that has helped build Turkish's reputation, and which has in-turn generated repeat sales, is the quality of its in-flight services, including

Below left - The airline operates its fleet of Boeing 737-800s with two different seating configurations. Shown here is the single Economy Class 165-seat layout. (All images author unless stated)

Below right - Journey's end: passengers disembark from one of Turkish Airlines' fleet of 25 Airbus A320-232s.



its onboard catering and entertainment systems. For example, on an average journey between Amsterdam and Istanbul, the airline provides beverages, a choice of two hot meals and a film to watch on drop-down TV screens, while on newer aircraft the in-flight entertainment system (IFE) which is housed in seat-back screens and includes a choice of hundreds of films and television programmes.

The carrier has a 50-50 partnership with Do & Co, an Austrian/Turkish catering company that provides award-winning meals in all classes of travel.

In Business Class the choice increases, as does the wine list, and on long-haul rotations business passengers are served by a dedicated Do & Co onboard chef. All of these benefits attract repeat business, which fills the aircraft and in turn leads to a healthy bottom-line and further expansion.

Sound Business Application

In addition to its narrow-body jets, Turkish is building a sizeable transcontinental wide-body fleet. Apart from the obligatory US destinations, Brazil, Russia, India and China are





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linked with very short connection times in Istanbul; it comes as no surprise that these, the developing 'BRIC' economies, are already served by the carrier. Previously, all of Turkish's long-haul rotations were flown by A330s and A340s and it seemed the airline was committed to the European manufacturer for its long-haul transport needs. However, this has since changed following the lease of three 777-300ERs from Jet Airways. They became available when the Indian carrier decided to lease out a number of its aircraft. "We started long-haul services using Airbus aircraft because they were ideally suited to our markets, and also, they offered a great deal of operational commonality. But



as passenger numbers have grown and sector lengths increased, the Airbus family did not offer the capacity or range compared with the 777 and it became a logical aircraft for these routes, commented Dr Kotil."

While dynamism is important in

running a successful airline, its run-of-the-mill resources also need attention. These include accounting, ground services, catering and engineering, all of which are part of the ever-expanding Empire' Established in 2006, Turkish Technic has been servicing jets on its parent's behalf as well as for third-party companies from across Europe. The Maintenance, Repair and Overhaul (MRO) facility now employs 2,500 people and operates two hangars at Istanbul/Atatürk which can accommodate five wide-body and seven narrow-body airliners at the same time. Many airlines do not publicise where they get their aircraft maintained, and so Turkish Technic is coy about some of its clients

Left • Passengers relax in the Business Class cabin onboard one of Turkish Airlines' aircraft.

Below • The airline originally decided to operate its long-haul routes using Airbus products such as the A330 and the four-engined A340. Pictured here is Turkish Airlines' A340, TC-JLL (c/n 331), which is on final approach into Istanbul's Atatürk International Airport. (Airteamimages.com/HAMFive)



– but a passing glance while taxiing out at the airport often reveals some well-known companies' aircraft in its hangars. The final factor in keeping a company going during a tough trading period like the current global economic downturn is to adopt sound business principles. This means having more than one market

base, high staff morale, auto-financing of aircraft and not overextending when borrowing additional finance. Turkish not only weathered the post-9/11 no-flying crisis, but has endured the more recent bleak economic climate. Asked about its performance, the airline says its recent results speak



Above • Airbus A330-343, TC-JNO (c/n 1298), is the latest example of this model to enter service with Turkish Airlines, having been delivered to the carrier on March 16, 2012. The company has a further two A330s on order. (Airteamimages.com/Steve Flint)

Left • Pictured making a technical stop during its delivery flight at Birmingham International Airport is the first Boeing 737-9F2ER, TC-JYA (c/n 40973), Amasya, to be handed over to Turkish Airlines. (Airteamimages.com/Dave Sturges)



First and Business Class passengers can relax and enjoy meals specially prepared by one of the airline's onboard chefs. (Turkish Airlines)

for themselves. In 2008 and 2009, it made profits of \$571 and \$538 million respectively. While, during the downturn, other carriers were reporting increasingly larger losses, Turkish has remained profitable.

Operational Challenges

All of these successes, of course, have their downsides. No organisation is immune to the ups and downs that occur with the global financial situation and no one company can maintain a balanced bottom-line while continuing to expand. The author's research revealed a level of dissatisfaction by a number of passengers who complained about the standard of seats on some of the airline's narrow-body fleet, particularly those used on transcontinental sectors of between five and eight hours.

With such a dependence on its narrow-body fleet for its business model, Turkish will have to address the issue of consistency of cabin comfort, or risk losing customers. Instability in the Middle East has not helped business either. But the airline says: "While certain cities in our network were affected by unrest, Turkish Airlines has been one of the first carriers to reinstate services once order had been re-established."

A downside of the carrier's expansion is the sheer volume of traffic that goes through Atatürk airport. There are often long queues at Istanbul – and while Turkish recognises the challenge, it hopes that a larger facility will be built in due course to alleviate the



Turkish Cargo is investing in five new A330-200 freighters, including this example, TC-JDO (c/n 1004) which was delivered in September 2010. (Airteamimages.com/4X6ZK-Moni Shafir)

TURKISH AIRLINES (TK/THY) CURRENT FLEET

Type	In Service	On Order
Airbus A310-304(F)	4	
Airbus A319-132	10	1
Airbus A320-232	25	
Airbus A321-231	30	14
Airbus A330-203	8	
Airbus A330-243F	2	3
Airbus A330-343	8	2
Airbus A340-311/313	9	
Boeing 737-4Y0	3	
Boeing 737-752	4	
Boeing 737-8F2	51	18
Boeing 737-9F2ER	4	11
Boeing 777-3F2ER	12	
Total	170	49

This Airbus A310-304, TC-JCV (c/n 476), was converted into a freighter in November 2007. It was damaged beyond economical repair on October 31, 2010 in a landing accident at Casablanca Airport, Morocco. (Airteamimages.com/Yochai)

problems – and which, according to Dr Kotil, will make it possible for a single facility to deal with all of Turkish Airlines' connecting traffic. He added: "We hope there will be continued progress towards the construction of the new airport. We are committed to having a single primary hub where award-winning amenities, like our 'Corporate Incentive Program' (CIP) lounge, can be made available to all our eligible customers. We continue to work with the facility's operator, TAV, to make certain Atatürk runs in the best possible way until the new airport is completed."

On the question of further expansion, the airline is not resting on its laurels. Indeed it is often foreign governments that constrain Turkish's expansion ambitions. A senior executive of the airline bemoaned the fact that the carrier was only able to operate the uneconomical A310 into India's financial powerhouse, Mumbai. Turkish was not only sold the 'slot' but part of the negotiated contract dictated the particular aircraft type to fly the route, which could not be changed without further negotiations. At the time the Indian Government refused to entertain

an increase of aircraft size, despite the route meriting larger, more economical jets. Eventually, an agreement was reached and the type was upgraded. Turkish has also publicly stated that its Toronto rotation would be expanded to a daily service if the Canadian Government were to allow additional flights. The company believes there is a good deal of potential left to develop its existing destinations with increased frequencies, as well as looking at the never-ending list of possible new routes.

"A DOWNSIDE OF THE CARRIER'S EXPANSION IS THE SHEER VOLUME OF TRAFFIC THAT GOES THROUGH ATATÜRK AIRPORT!"

Cargo and Global Freight

Traditionally, Turkey is a trading nation and no article on its national carrier would be complete without a mention of its cargo division. The country is indisputably at the centre of European-Asian trade – a situation that, combined with the fact it is also a major

manufacturing and exporting nation, puts it at an advantage. The airline has always carried freight in the belly-holds of the passenger fleet as it recognises the importance and revenue-generating potential of the global cargo industry. Turkish Cargo currently operates four A310-300s and is investing in a fleet of five new A330-200 freighters, two of which have already been delivered. The fleet serves over 26 scheduled cargo destinations including Mumbai, Almaty, Tel Aviv and Hong Kong. In 2010 it carried 313,000 tonnes of freight and 385,000 tonnes a year later.

Future Vision

Turkish Airlines' expansion over the past decade has been nothing short of meteoric. It has found its niche in the market, offering cheaper seat prices and high-quality onboard services whether flying to high-profile destinations such as New York or on a regional flight to Baghdad. However, it is neither a conventional European flag carrier nor one of the giants of the Middle East offering their own brands of wide-bodied luxury. Poised between two worlds, Turkish Airlines is not following a defined model, but it is creating one of its own, 'the Turkish model', something other companies will find very difficult to emulate. **W/W**

