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Jetstar Group CEO address to CAPA 2016



Preparing for Jetstar's Asia-Pacific Future

Preparing for Jetstar's Asia-Pacific Future - Jetstar Group CEO Jayne Hrdlicka's address to CAPA Australia Pacific Aviation Summit 2016

Jetstar Group CEO Jayne Hrdlicka**Address to CAPA Australia-Pacific Aviation Summit (Brisbane, 4 August 2016)**

It's great to be here with CAPA. This is my third year in a row speaking at this event, and I'm especially glad you've given me an excuse to escape the Melbourne cold and get up to Brisbane for a day!

I think everyone agrees this is the big event on the Australian aviation calendar.

As Alan and Gareth will also tell you, the timing's a little tricky for us because we have our results coming up on 24 August.

But that doesn't mean there's not a lot to talk about.

What I want to do is give you a quick overview of where the Jetstar Group stands today and what I see as the keys to our future.

Strong Foundations

The first thing to say is that Jetstar today is in good shape. Our first half result was a record profit - in fact it was better than our previous record [full year](#) result.

And every part of the Jetstar Group contributed to that performance - domestic, international, and the Jetstar airlines throughout Asia.

Twelve years after Jetstar was founded, we have grown to be an airline group which rates alongside the best airlines in the world.

We have a fleet of 127 aircraft, more than Singapore Airlines, Malaysian and almost as many as Cathay.

Our revenue is over \$4.5 billion - which puts us in the Top 5 LCCs in the world and we are bigger than the average ASX listed company.

We fly to 80 destinations. And we were really proud to be named the best LCC in the Australia Pacific by Skytrax for the sixth year in a row.

So we are doing well, but we are not satisfied with where we stand. We are competing in the most dynamic aviation markets in the world, so we know that standing still effectively means falling behind.

We want to make sure that Jetstar stays at the forefront of global LCCs, not just in the Asia Pacific.

Delivering on our ambition starts with a clear strategic focus.

Clear Strategic Focus

So what does that mean? For Jetstar, it's very simple: we are a pan-Asian business and our future lies in the region around us.

We clearly have a big presence in the Australian and New Zealand domestic markets, but we also have a strong and growing position in the world's third largest aviation market, Japan.

Our airline in Singapore has just finished one of its best year's yet and goes from strength to strength supporting 26 partners flying into Singapore and connecting their customers onto our network.

And then there is Vietnam – the fastest growing economy and aviation market in the region. Our dual brand relationship with Vietnam Airlines puts us in a unique position, which we are very happy about.

Our long haul Dreamliner fleet of course then connects our Australian network to South East Asia and North Asia and enables Australians to access some of the most exciting and great value holidays and adventures. And, while we are not a network carrier, the sum of our parts is definitely greater than the individual elements.

Our investments in the Jetstar airlines in Asia also give our brand a deep presence in domestic and intra-Asian markets that flows back to our core domestic business in Australia. This builds great depth and resilience in our business that otherwise would not exist and creates a competitive advantage that is hard to rival.

Now clearly, there are plenty of smaller LCCs jostling for position around the region and forming new alliances in an attempt to replicate the scale and marketing clout of the larger players. We will see how well this works for the travellers. But for us, we have been building out our alliances and partnerships for the last 12 years with some of the world's best airlines. And I would venture to say that partnerships are something we are good at doing as a business.

We know the low fares travelling public expect simplicity, transparency and consistency, and we work very hard to provide exactly that.

We believe that the future of the Asian LCC market is going to be owned by brands that people know and trust.

Brands that offer a seamless booking experience, a broad network and the ability to tailor what you get on board.

In other words, brands that provide the next generation of Asian travellers with the ability to realise their travel aspirations in the way that works best for them.

That's what Jetstar has been building towards for 12 years now. The Jetstar brand today is synonymous with great low fares travel in Australia, New Zealand, Singapore, Japan, Vietnam, Indonesia and beyond.

And we're determined to make sure that we are the LCC of choice for the 1.8 billion people who are going to enter the Asia-Pacific travel market over the next 20 years.

Uncompromising LCC Fundamentals

Of course, the first key to doing that is to make sure we do not compromise on our LCC fundamentals.

That means keeping costs low by staying true to our values, always keeping it simple and finding lower costs ways of working every single year.

And, it means developing new products and services that add value to our customers' journey while also enhancing our revenue.

Managing our costs with great discipline and growing our revenue innovatively enhances our margins, grows our returns to shareholders and enables us to reinvest for the future.

There are two special ingredients in making this formula work.

- One is our people – and making sure that they are inspired and empowered to be the very best of themselves every day.

- The second is our customers – and making sure that we know our customers better than anyone else in the market and that we are delivering the very best low fares travel experiences in the region.

I spend a lot of time talking to people not just at Jetstar HQ in Melbourne, but all across our network, and I can tell you that the passion and drive to deliver on our ambitions across the group is at an all-time high. We are an infectious lot!

Disruptive Thinking

Now, one obvious but not broadly discussed aspect of the Jetstar culture is the passion for and ability to think disruptively.

One of the recurring themes of Jetstar's history has been a willingness to challenge aviation as well as LCC conventions.

That goes right back to the initial decision to launch Jetstar as part of the Qantas Group - a path that had failed for every other full service carrier.

But it worked for the Qantas Group, because - as I have said many times - we have crystal clear roles for each airline, within an overarching dual brand strategy that works.

I have had many airline executives from around the world ask for our secret sauce in making a dual brand strategy work. They are all wowed by the fact that we indeed defied gravity in 2004 and continue to defy gravity every day.

And we're really proud of that, because it means tens of millions of people in Australia, New Zealand and Asia have got access to low fares that they didn't have before. In Australia alone, there are 20 million more trips taken each year as a consequence of Jetstar introducing and sustaining great low fares. Last year across the Group we sold over 20 million seats for less than \$100, and we will still have a very strong result to announce in a few weeks.

Some of our customers have been able to fly for the first time, or fly much more often, because of those low fares. Some of them have been able to grow their businesses across geographic boundaries.

So, disruption is at the heart of our culture. And, in decision after decision over the years, Jetstar has kept challenging LCC conventions. Disrupting our competitors. And, importantly, bringing greater choice to our customers. For example,

- The decision to export the brand into Asia through equity joint ventures with strong local partners.

- The decision to take Jetstar long haul and then to invest in the Dreamliner to make sure it was a world-class travel experience.

- The decision to codeshare with full service carriers - leveraging Jetstar's quality and reliability and banking on the opportunity that created for our partners' customers.

All those decisions have paid off for Jetstar and for the Qantas Group.

So the question we ask ourselves every day is, what's next? Where is the next opportunity to push the boundaries and challenge convention?

And in answering that question, we're guided by three core principles.

The first is Jetstar will always put **customers at the centre** of our thinking.

That in itself is a disruptive principle, when you consider that a lot of LCCs seem to think of customers as a necessary inconvenience.

But we reject out of hand the idea that low fares mean shabby service.

Think about who our customers are - they're people going on holiday, visiting friends and families, trying to get a small business off the ground.

Their Jetstar flight is part of the experience - we want it to be a great part of the experience. And if we do a great job, they will fly with us again. If we do a great job, we do it right the first time. If we do a great job, we are more profitable as a business.

Now, doing a great job is hard in a business where so many factors are out of our control. But we focus on great basics, modern aircraft, good infrastructure and amazing people. And we know – our people really do make the difference.

So, we've completely revamped our approach to training through a program we call Let's Connect - which focuses not on the functional side of training, but on people skills. Simple really.

By the end of this financial year, more than 3,500 of our people will have completed the training across Australia, Singapore and Japan.

We also recognise that good service starts before you get to the airport.

We've re-worked our call centre agreements so that employees are incentivised to resolve customer problems, not get off the phone quickly.

And of course, we've invested in new digital tools like online chat, so that customers can start their conversation with Jetstar any time they like.

Which brings me to our second principle - that Jetstar will always **harness new technologies**.

Now Qantas has a long, 95 year history of being an early adopter of new technologies. If you ask Alan he'll give you the full list!

New technology requires capex but lowers your costs significantly over the long run.

It results in a better travel experience.

And it engages our people - because fundamentally, new technology is exciting.

And if you move quickly, the competitive advantage is huge.

That's why we were the first LCC to introduce online chat services. Why we pioneered straight to gate check-in at Changi. Why we are fully automating all of our airports like T4 in Melbourne. This is just a preview of what the next generation of Jetstar terminals are going to look like.

And - it's why we've totally overhauled our websites in all of our markets to turn Jetstar.com into a clean, uncluttered, enjoyable and responsive shopping experience. It's an initiative we call Smart Retailing.

Travel is the best product on the planet - so why should buying a flight be more complex or frustrating than buying any other kind of product in the 21st century?

Technology itself can't solve all your problems. But if you invest in the right way and combine it with amazing people, it's incredibly powerful.

Finally, our third principle of disruptive thinking is that Jetstar will always **lead with new business models** to open markets and increase choice.

I've talked a lot at CAPA about the model for the Jetstar airlines in Asia - and what a great Australian growth story those airlines have been.

But we've got other tools in our kit, too.

Last year, we launched Jetstar into regional New Zealand with Q300 turbo-props.

Kiwis had been crying out for price competition and lower fares on regional routes, and Jetstar stepped in to do what we do best. Increase choice and disrupt a powerful competitor.

It's been a real change agent over the Tasman and we're going to roll out some figures soon showing just what an impact that venture has had on the New Zealand economy. The headline news is fares in regional New Zealand are down across the board by around 15 per cent.

Again, that's what Jetstar does so well - create new markets, give more people the opportunity to fly affordably, and generate broader economic benefits throughout the community.

And so as we look for the next wave of disruptive initiatives, we'll be thinking about what other new business models we can launch to bring Jetstar's low fares to more people and disrupt the competition in the process.



Conclusion

So let me sum up.

The Jetstar Group today is performing better than ever - but we have no intention of being complacent. And we're clear about the keys to our future.

- A strong, integrated pan-Asian brand.
- An unwavering commitment to LCC fundamentals.
- A deep, deep passion for our people and our customers.
- And, a burning desire to keep challenging convention

Thank you.

Media contact Jetstar AU & NZ Media
jetstarmedia@jetstar.com Jetstar Asia Media (Singapore)
media@jetstar.asia Jetstar Japan Media
JapanPR@jetstar.com**Share this release**

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