

Peach Blossoms in Japan

by Ken Donohue



Across the world, low-cost carriers (LCCs) have revolutionized the airline industry. With cheap fares and, in many cases, service to smaller, secondary airports, these companies provide value; more importantly, many who couldn't previously afford to fly can now take to the air. In Japan, the LCC phenomenon has taken longer to lift off, but with the arrival of Osaka-based Peach (Peach Aviation Kabushiki Gaisha; IATA: MM) that is changing.



The country's first LCC, Peach was established as A&F Aviation in February 2011 as a joint venture between the parent of ANA (All Nippon Airways), Japan's largest airline, and the First Eastern Investment Group, a Hong Kong-based private equity and venture capital firm, together with the Innovation Network Corporation of Japan.

Peach launched service on March 1, 2012, from Osaka-Kansai (IATA: KIX) to Sapporo-New Chitose and Fukuoka. Considered 'golden routes', these were chosen because of the large market of commuters and travellers they attract. Two months later, Peach added its first international route, to Seoul-Incheon, which after careful evaluation proved to be the most popular overseas destination from Kansai. Flights on the ultra-competitive Kansai to Tokyo-Narita route started on October 27, 2013.

While some LCCs have shied away from large airports because of higher costs and congested operations, Peach embraced Kansai because it operates 24 hours and is closer to other Asian countries in comparison to Tokyo. Before Peach, there hadn't been an airline based at Kansai, even though Osaka is the country's third-largest city and the area home to 20 million people. Additionally, the airline tells *Airways* that the region is known to be more price-conscious than elsewhere in Japan.

Previous page: Architect Neil M Denari designed the aircraft color scheme for Peach. The airline's name was chosen for its symbolism as a well-known and much loved fruit that represents longevity, energy, and happiness in Asian countries.

Peach's network plan is to operate flights of up to four hours' duration. This, according to the airline, takes into consideration that LCCs tend to offer less-generous seat pitch.

At Kansai, Peach is the exclusive operator at Terminal 2, which opened in October 2012. At Peach's request, the single-story terminal has a simplified design to minimize operating costs. There are only two boarding gates—one each for domestic and international flights. Peach operates point-to-point flights, with all aircraft returning to KIX at the end of the day. A third terminal for use by overseas LCCs is now being proposed.

After a careful evaluation of both the Boeing 737 and Airbus A320, Peach chose the latter and now operates ten of the type, with another due in December 2013. Nine more are on order for delivery in 2014 and 2015. The 180-seat, single-class A320s have four seating categories based on pitch and location in the cabin. All seats can be reserved for an additional fee, though the 'Happy Plus' fare category includes complimentary seat selection, free online ticketing changes, and one complimentary checked bag.

Low-cost carriers are rightly known for providing value and fares that in many cases are lower than those offered by so-called 'full-service' or 'legacy' airlines. This is especially true of Peach. For example, a randomly selected date for a one-hour flight from Osaka to Seoul shows that Peach's lowest fare is half that of ANA. Even Peach's highest fare category is \$130 cheaper than the competition's lowest fare.

As LCCs in other parts of the world have found, Peach's biggest challenge has been creating an awareness of the airline and the budget model amongst

(Continued on page 23)

In-flight with Peach

Having taken the train from Kyoto, the former imperial capital of Japan for 1,000 years, I arrived at Kansai International Airport a few hours before my evening flight to Hong Kong.

While Peach operates from Terminal 2, most of the airport's services are in T1. That's where I found the KIX Airport Lounge, which for a nominal fee offers comfortable seating, computer access, showers, complimentary soft drinks, and sleeping rooms.

After spending time in the lounge, I took the shuttle bus to T2 and entered the sparse yet sparkling-clean departures hall. Services in this area are limited to one restaurant and a couple of shops, with separate

check-in counters and security lines for domestic and international flights.

Check-in began at 1915, two hours before departure. Five self-serve kiosks with Peach staff assisting passengers were available in the middle of the departures hall. Once boarding passes were issued, those with baggage proceeded to a separate counter. With only a few flights scheduled to depart, security formalities did not take long. Airside, there are restaurants and a handful of shops, including a modest duty free selection. The airline even has its own souvenir and snack shop called 'Fuchsia by Peach'.

Passengers assigned to window seats were invited to board first. The remaining travellers were called for a second wave of boarding, and with no airbridges at T2 we used stairs. Because of the way the airplane was positioned on the ramp, push-back was not necessary. This near-full A320 left the stand under its own power on schedule at 2115.

The four flight attendants were attired in smart-looking fuchsia-colored jackets and gray skirts. Complementing the color theme, the bulkhead at the front of the cabin was bright pink with the 'Peach' typeface in white. This was further accentuated by dark-gray leather-covered seats. The announced flying time was 3hr 45min. Soon after takeoff we banked left



PHOTOS: PEACH AVIATION

Crew uniforms were created by London fashion designer James Wilkie.



Self-service check-in kiosks.

over Osaka Bay and were treated to a dazzling night-time view of KIX.

Sitting in the rear of the aircraft, coping with the 29in (74cm) seat pitch, was—to put it politely—cozy. We experienced some turbulence en route to Hong Kong, and for much of the way, the sky was lit up every few seconds by electrical storms. Meanwhile, the cabin crew came around with a selection of food and drinks for purchase at a nominal fee.

As we neared Chek Lap Kok, the boats in Victoria Harbour looked like floating lanterns. Touchdown was at 1215, some 20 minutes behind schedule. We were at the gate at 1221, with no explanation for the delay, though it could have been caused by the storms we were trying to skirt. With a scheduled 40-minute turn, the Peach crew immediately began preparing the aircraft for the return flight to Osaka.

Overall impression

Peach unashamedly fits the LCC model. It offers low fares and value, and is up-front about extra fees. My Peach experience was hassle-free—quick and efficient. In a country where tradition runs deep, Peach has turned the accepted notion of air travel on its head. In other parts of the world, LCCs have become firmly entrenched in the marketplace. In Japan, the awareness is growing. This is a good thing, and means that Peach's future is likely to be as bright as its livery. →

Fast Facts—peach (Peach Aviation Kabushiki Gaisha)

IATA: MM **ICAO:** APJ **Radio:** Air Peach
Izumisano-shi Tel: +81 50 3776 65750
Osaka
Japan 549-8585

Website: www.flypeach.com

Network

Domestic: Fukuoka, Ishigaki, Kagoshima, Matsuyama (Feb 1, 2014), Nagasaki, Okinawa (Naha), Osaka (Kansai), Sapporo (Shin-Chitose), Sendai, Tokyo (Narita)
International: Busan, Hong Kong, Seoul (Incheon), Taipei (Taoyuan)

Traffic: 3 million passengers by September 2013

Financial (FY through June 2013): revenue JPY14.3bn, operating loss JPY900m

Founded: February 10, 2011 (as A&F Aviation)

Start date: March 1, 2012

CEO: Shinichi Inoue

Ownership: ANA Holdings (38.67%), First Eastern Aviation Holdings (33.3%), Innovation Network Corporation of Japan (28%)

Fleet

Type	N°	Seats	Engines
Airbus A320-214	10	Y180	CFMI CFM56-5B4/2P

leased from GE Capital Aviation Services

On order

A320-214	10	due Dec13, 2014 (7), 2015 (2)
----------	----	-------------------------------



Peach is the exclusive operator at Osaka-Kansai's Terminal 2, which is simple in design to reduce operating costs. Large banners declare T2 is '100% LCC'.



Peach's first A320 arrives at KIX. Three million passengers have been carried since start-up.

(Continued from page 20)

consumers, something it admits is still in progress. To ensure a successful launch, Peach CEO Shinichi Inoue was mentored by Patrick Murphy, the former chairman of Ryanair. This LCC know-how has helped propel Peach as its network has grown rapidly.

“Many of our passengers had never travelled by air before mainly because of high costs,” says a Peach spokesperson. “Our goal was for our airline to be as convenient as taking a train, and we believe we’ve been able to achieve that.” Japan is known worldwide for its extensive and efficient rail network, with the Shinkansen high-speed railway still the air transport industry’s biggest competitor, especially between major cities. However, although convenient, with downtown stations, this comes at a price. For example, a one-way Shinkansen ticket for Osaka–Tokyo is JPY13,000 (\$132) for the 2½-hour journey versus JPY4,000 (\$41) using Peach (1hr 25min); and factored into this equation is that KIX and Narita are 80 and 60 minutes, respectively, from their corresponding metropolises. Significantly, a survey of business customers revealed that the tipping point for choosing air travel over the Shinkansen is when travel time exceeds 3½ hours.

Peach’s target passenger group is women in their twenties and thirties; while this may seem surprising, the airline wants to tap into an under-served market comprising people unfamiliar with air travel. Traditionally, the majority of air travellers in Japan are men, so to align itself with its feminine target, Peach adopted a bold fuchsia color, and posts photos

of young women on its website. Yet, while half of all Peach passengers are female, the airline has successfully attracted customers from a wider demographic.

The VFR (visiting friends and relatives) segment is also thriving, with some ‘senior citizens’ in Osaka telling *Airways* that they can now visit their grandchildren in Sapporo three times a year, compared to only once annually in the past. Indeed, proof of the airline’s popularity was seen during the 2013 peak Japanese summer travel season, when Peach recorded a domestic load factor of almost 80%, while on international routes it was 88%.

CEO Inoue says that Peach has applied for authority to operate from Kansai to Shanghai-Pudong (PVG) but Chinese authorities have so far declined, probably to protect government-owned Air China and China Eastern Airlines, along with Shanghai Airlines, which already fly the route. In support of Peach’s ambitions to expand in Southeast Asia, Inoue-san has unveiled plans to make Okinawa-Naha its second hub after KIX, and will use it to funnel passengers between that region and Japan.

Other international destinations being considered are Bangkok, and Hanoi and Ho Chi Minh City (Saigon), Viet Nam. But the CEO has emphasized that Thailand is at the top of Peach’s international wish list, given the surge in the number of Thai visitors to Japan with a record 260,000 arriving in 2012, a figure that is expected to rise in the wake of Japan’s visa waiver program for Thai nationals that began on July 1. →