

# Airline Market Leadership

## LanChile

**S**ince it was privatized fully in 1994, LanChile has earned a reputation for adaptability and innovation that has pushed it into the forefront of the world airline industry.

Operating in an area of the globe where economic dislocation is simply part of the landscape, LanChile has navigated successfully through the post-9/11 shutdown of US airspace, the collapse of the Argentine financial system, currency devaluation in Brazil and economic weakness throughout much of South America. As a result, it not only maintained its string of profitable years from 1994 through 2001 but carried that momentum forward into 2002, posting nine-month net income of \$15.3 million on sales of \$1.03 billion.

One key to the company's success has been its creativity in extending its brand and product into other countries,



## A W A R D S

boosting its visibility while exposing new markets to its high-quality service.

In 1999, in partnership with local investors, it launched LanPeru and currently controls 70% of that airline, which serves eight destinations in Peru and four international points with a fleet of 767s and A320s. That same year it became a member of oneworld and subsequently brought LanPeru in as an affiliate member.

In 2002 it launched a new subsidiary, LanEcuador, which expects to begin service this year to the US, Chile, Spain and Argentina. Although it is not yet flying, such is the value of the LanChile brand that LanEcuador already has been named a member of oneworld.

LanChile's creativity is not limited to the international arena. It recently completed a rebranding and relaunch of

LanExpress, the former Ladeco, in the domestic market. LanExpress is intended to offer a Viaje Facil—Easy Travel—experience to value-conscious travelers with a simpler, passenger-friendly product.

LanChile long has recognized the importance of a strong cargo franchise to balance its exposure to its volatile passenger business. Following 9/11 it formed LanCargo Group out of the former Fast Air/Ladeco cargo operation as part of a plan to create distinct passenger and cargo businesses under the parent company. Cargo accounted for more than a third of total revenue in the first nine months of 2002, and a partnership with Lufthansa Cargo implemented last October to operate jointly between Latin America and Europe should boost further the size and profitability of the cargo segment.