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Internship Report

On

An Analysis of Marketing Activities of Biman Bangladesh Airlines Ltd.

Supervised by

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Date of Submission: 18 October 2015

Letter of Transmittal

Date: 18 October 2015

Sheikh Abdur Rahim

To: Associate Professor and Head

Department of Real Estate and Department of Commerce

Faculty of Business and Economics

Daffodil International University


Subject: Submission of the Internship Report on “An Analysis of Marketing Activities of Biman Bangladesh Airlines Ltd.”

Dear Sir,

It is my pleasure to submit the report on “An Analysis of Marketing Activities of Biman Bangladesh Airlines” I tried my best to complete this report properly for your kind consideration. I have put my best endeavor to gather relevant information available in order to prepare this report. The entire report is based on pragmatic experiences during the internship period at Biman Bangladesh Airlines Ltd, Balaka (Head Office), Dhaka-1229.

I shall be highly encouraged to adopt this report and shall be available for any clarification regarding the report, if required.

Sincerely yours,



Abdullah Al Hussain

ID: 111-27-207

Program: BRE

Department of Real Estate

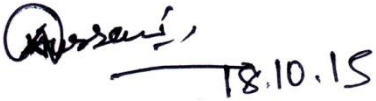
Faculty of Business and Economics

Daffodil International University

Declaration of Student

I hereby declare that this internship report on “**An Analysis of Activities of Biman Bangladesh Airlines Ltd.**” was done by me under my supervisor **Sheikh Abdur Rahim** Associate Professor and Head, Department of Real Estate and Department of Commerce, Faculty of Business and Economics, Daffodil International University. This report is not copied and any other sources has not been submitted to any other institutions previously for any degree or academic diploma.

I do solemnly declare that this report is best effort and try to heartily better present and does not contain any data/ information without acknowledgement.



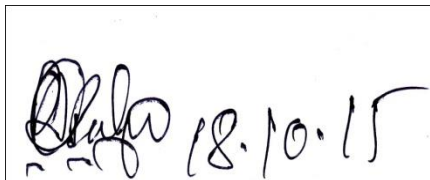
A handwritten signature in black ink, followed by a horizontal line and the date "18.10.15".

Abdullah Al Hussain
ID: 111-27-207
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Letter of Acceptance

This is here by certify that Abdullah Al Husain, ID: 111-27-207, Program: BRE is regular student in department of Real Estate, Faculty of Business and Economics, Daffodil International University. He has successfully completed his internship program at Biman Bangladesh Airlines Ltd, Dhaka. He has prepared his internship report under my supervision. His assigned internship topic is “An Analysis of Marketing Activities of Biman Bangladesh Airlines Ltd.” I think that the report is a worthy of fulfillment the partial requirements of Bachelor of Real Estate degree at Daffodil International University.

I wish him every success in life.

A handwritten signature in black ink, followed by the date '18.10.15'. The signature is cursive and appears to be 'Abdur Rahim'.

Sheikh Abdur Rahim
Associate Professor and Head
Department of Real Estate and Department of Commerce
Faculty of Business Economics
Daffodil International University

Acknowledgement

It is a great pleasure and humble opportunity for me that I am assigned for doing my internship at **Biman Bangladesh Airlines Ltd.**

Nothing can be accomplished alone. Without the help of the number of persons the success remains silent. I am very much fortunate to get the sincere guidance and supervision from a number of people. First, I want to pay my gratitude to almighty Allah for the preparation of the report successfully. Then, I thank my supervising teacher **Sheikh Abdur Rahim** sir for providing me an overall concept on the process of preparing the internship report.

I would like to show my warm-hearted gratitude to the Marketing department of Biman Bangladesh Airlines Ltd; which has provided me with great deal of information, adequate data and lastly co-operated me for the accomplishment of this report successfully.

I would like to thank each and every Staffs of the different marketing section of Biman Bangladesh Airlines Ltd specially **MdHafizul Islam** (Commercial Officer Tariff) for their kind assistance regarding the report Without whom it would not possible for me to complete this difficult task. I am very much thankful to Biman Bangladesh Airlines, its management, especially employees of Marketing & Sales for their cordial support to prepare this difficult study with important information and data.

EXECUTIVE SUMMARY

Biman is the national flag carrier, which is fully owned and operated by the Government of Bangladesh. The corporate body of Biman, namely 'Bangladesh Biman Corporation, is doing business as Biman Bangladesh Airlines under the Ministry of Civil Aviation and Tourism. Biman was established as of a corporation on 27 October 1972 with a vision to protect Biman Bangladesh Airlines Ltd. in the aviation market as a world-class airline.

Biman has experienced man power that it is really a good strength though the management of Biman cannot work independently because of government intervention. At the same time considering the global standard of International Airlines, Biman is lagging behind. The labor passengers have an extreme attraction for the national flag carrier for its home like hospitality.

The corporate background of Biman, its history of inception when it first starts its journey to the international route, the company's management structure, its vision, mission and goals clearly summarized here. Fleet details, executive directors and present manpower situation of the company are enumerated to give pragmatic information of Biman.

The main business of Airlines Company is to provide services to its valuable customers. Biman involves providing two types of services such as passenger service and cargo services. It operates its flight both in domestic and internationally. It provides various services such as hajj flight to Saudi Arabia, ground handling operator, e-ticketing and passenger Intelligence Services to customers.

Biman has some profitable subsidiaries such as BFCC and BPC. These subsidiaries provide catering services its own and other local and foreign airlines companies. Biman has its own training center that provides training employees to a greater extent.

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Chapter 01

Introduction

1.0 Introduction

Biman Bangladesh Airlines Ltd. The national flag carrier of Bangladesh has started its journey from scratch virtually with no aircraft, no ancillaries. It came into operation immediately after the war of independence. Despite many odds on its journey towards a long and challenging way to progress, Biman has been able to establish its reputation as an airline of welcome smile and an ocean of hospitality.

Biman now carries the national flag of Bangladesh to South Asia, South-East Asia and Far-East, Gulf and Middle-East region and European Countries. A steady progress has been made with better services ensuring increased passengers. To make Biman passengers feel “once Biman always Biman” the airline has recently brought in some qualitative changes in its service concept. Biman has been aiming in achieving the goal of being truly international commercially viable airline of the region with its warmth and friendliness, care, safety record, traditional hospitality and comfort of the services it offered. Biman is now flying even higher with great pride around the globe with the bi-color, the nation’s flag.

1.1 Origin of the Study

This report is as a mandatory part fulfillment of requirement for the completion of the BRE degree from Daffodil International University, Bangladesh. The primary goal of the internship was to provide an ‘on the job’ exposure to the student and an opportunity for translation of theoretical conceptions in real life situation. We, the students, were placed in enterprises, organizations, research institutions as well as development projects. In this connection, after the completions of the BRE program, I was assigned to the Biman Bangladesh Airlines. I choose the topic “Activities of Biman Bangladesh Airlines”. This report has been prepared on my practical experiences from 1st April, 2015 to 30 june, 2015 at Biman Bangladesh Airlines.

1.2 Scope of the Study

Scope means area of operations or field of the study. The scope of the report was extended to the overall activities of Biman Bangladesh Airlines. Biman Bangladesh Airlines Limited is one of the renowned airlines in Bangladesh. The scope of the study is to evaluate the overall performance of the Biman. The report covers the organizational structure, background functions and the performance of the company.

1.3 Objectives of Study

The study has been conducted with the following objectives:

- i. To investigate the marketing activities of Biman Bangladesh Airlines Ltd.
- ii. To evaluate the process of accomplishing the marketing activities of Biman Bangladesh Airlines Ltd.
- iii. To find out the problems of accomplishing the marketing activities of Biman Bangladesh Airlines Ltd.
- iv. To recommend some suggestions to overcome the problems of accomplishing the marketing activities of Biman Bangladesh Airlines Ltd.

1.4 Limitations of the Study

- The collection primary data always will be difficult things because it is hard to ensure the authenticity of the data. People might answer the questions but might not be expressing what they actually do or feel.
- There are various information the companies employee will not provide due to security and other corporate obligations.
- As the data, is most cases will not in organized way, the company failed to provide all information.
- Lack of opportunity to access to internal data. Also, from previous experienced it is likely that managers might be about sharing certain company information with the interns. Therefore, getting the exact picture is always challenging task.

1.5 Methodology

This report is based mainly on observations that experienced during the internship period. Data required for this report were collected survey questionnaire to the Staff of Biman Bangladesh Airlines, and some other helpful information was collected from other resources. The report is descriptive in nature. To fulfill the objectives of this report total methodology has divided into two major parts.

Data Collection Method

Data collection methods are as following

- i. Primary Sources
- ii. Secondary Sources

i. Primary Sources:

Primary data are root level and are collected without correction. These data were collected by:

- Oral interview with the company officers and staffs of Biman Bngladesh Airlines Ltd.
- Daily duties of internship position.

ii. Secondary Sources:

- Office files and documents
- Study related books and journal
- Company website

In order to make the report more meaningful and more presentable, two sources of data and information have been used widely. Both primary and secondary data sources were used to generate the report.

Data Analysis Technique

After collection of data, SPSS and Microsoft Excel do the data analysis. Tables, graphs, charts, etc are used to make result and information in the study. SWOT analysis is also done in the study.



Siman
MANAGEMENT SERVICES LTD.

Chapter 02

Company Profile

2.0 Background of the Company

Biman Bangladesh Airlines was established on 4 January 1972 as Bangladesh's national airline under the Bangladesh Biman Ordinance. The initiative to launch the flag carrier was taken by 2,500 former employees, including ten Boeing 707 commanders and seven other pilots of Pakistan International Airlines, who submitted a proposal to the government on 31 December 1971 following the independence of Bangladesh. The airline was initially called Air Bangladesh International but was soon changed to its current name.

In modern Bengali, the word *biman* refers to "aero plane", originating from the Sanskrit word *vimāna*, a name given to a flying machine mentioned in ancient Vedic literature. The logo, painted on the tail, is a stylized white stork (*bôlaka*) inside a red circle. The initial livery was a dark blue line extending across the aircraft along the windows and covering the tail section. This was replaced in the 1980s by dark green and red lines, matching the colors of the Bangladesh flag, and has remained so for over two decades. The *bôlaka* has also given its name to the Biman headquarters, the *Balaka Bhaban*, and a landmark sculpture in Dhaka depicting storks is in front of Biman's former headquarters.

On 4 February 1972, Biman started its domestic service on the Dhaka–Chittagong, Dhaka–Jessore and Dhaka–Sylhet routes with a World War II vintage Douglas Dakota and Douglas DC-3, both gifts from the Bangladesh Air Force. On 10 February 1972, Biman experienced its first accident when the Douglas DC-3 crashed near Dhaka during a flight test, killing all five crew members. On 4 March 1972, Biman started its international operations with a once-a-week flight to London using a Boeing 707 chartered from British Caledonian. Eventually in the first year of operation, Biman operated 1,079 flights carrying just over 380,000 passengers.

The airline was wholly owned by the Bangladesh government through the Bangladesh Biman Corporation since its inception. In 1977, Biman was converted into a public sector corporation which afforded Biman limited autonomy, led by a government-appointed board of directors. The authorized share capital was increased to BDT 2 billion in 1987, and Biman was transformed into a public limited company, the largest in Bangladesh, in 2007.

During the late 1980s, Hossain Mohammad Ershad, President of Bangladesh at the time, served as president of Biman. After an early period of expansion and growth, Biman entered an era of nose-diving profits and slow growth exacerbated by incompetent and corrupt management, who

padded purchases, falsified repair bills, and kept unprofitable routes in operation for political reasons. Research conducted in 1996 found that Biman had 5,253 non-flying personnel, 30 percent more than Singapore Airlines, a carrier who operated a fleet almost ten times the size of Biman's. The report described Biman as "poorly managed, overstaffed, undercapitalized, and subject to excessive political interference in its day-to-day management. In the 1992–93 fiscal year, accounts under the Ministry of Civil Aviation and Tourism revealed that BDT 22 million in tax was not paid to the government. The audit carried out in 1999, also showed that Biman was owed BDT 2.2 million by travel agents from the proceeds of ticket sales, most likely with the collusion of Biman officials. Additionally, BDT 2.4 million was overpaid as incentive commissions to the sales agents in violation of Biman policies.

In 2007, the caretaker government launched an anti-corruption drive which saw the arrest of Shamim Iskander, the brother of ex-prime minister Begum Khaleda Zia and a former Biman flight engineer, on multiple corruption charges. This was shortly followed by the forced retirement of 35 other employees and officials, some of whom were close aides of Iskander.

2.1 Vision and Mission

Vision

To protect Biman Bangladesh Airlines Ltd. in the aviation market as a world-class airlines

Mission

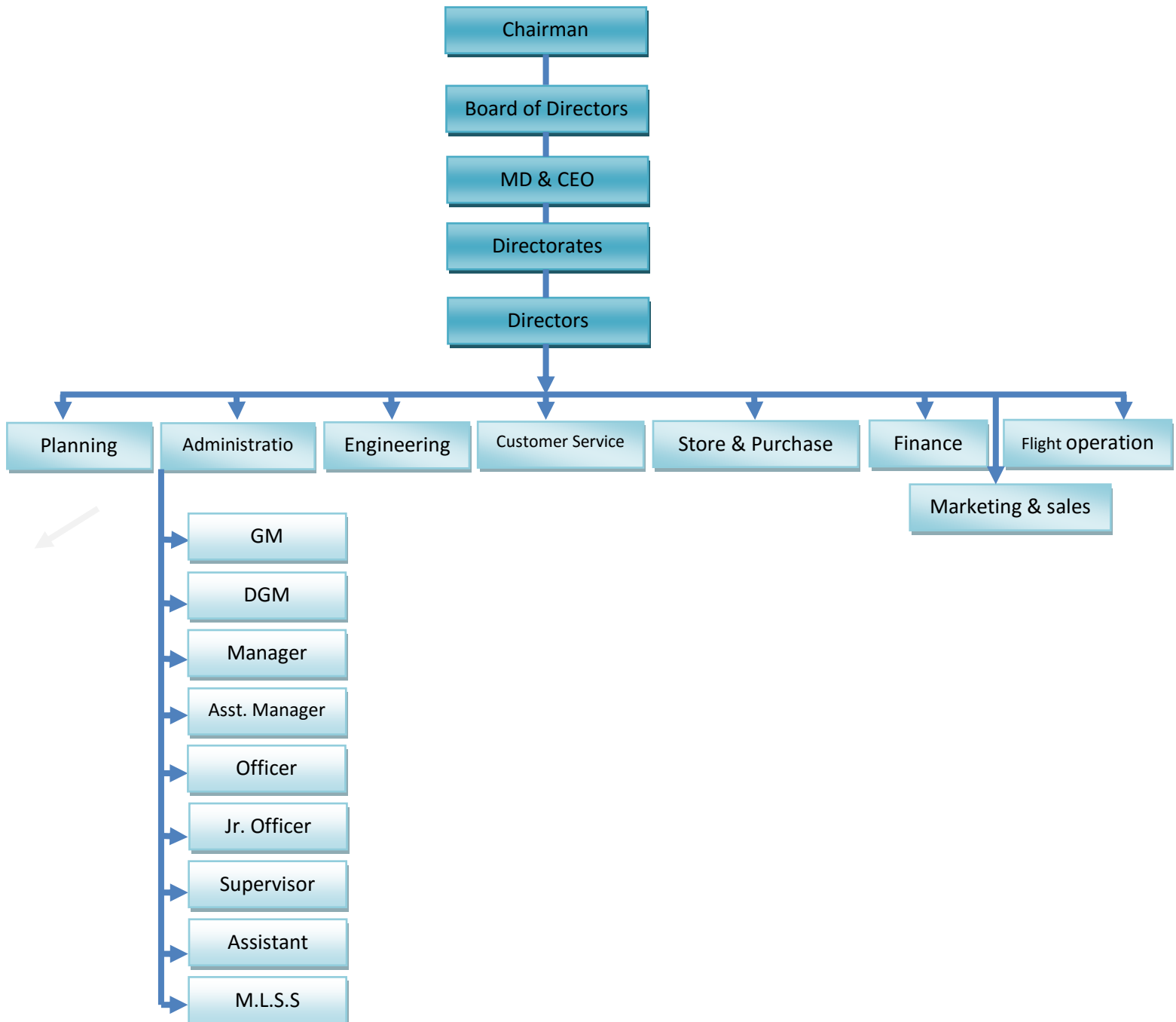
To provide safe, Reliable, Efficient and Economical air transport services and to satisfy customer's expectations while earning sustainable profit and continuing to be a caring employer.

2.2 Executive Directors

| Position | 2014-2015 |
|---|---------------------------------|
| Managing Director & CEO | Mr. Keyle Haywood |
| Director, Engineering & Material Management | Wg. Cdr. M M Asaduzzaman (Retd) |
| Director, Procurement & Logistic support | Md. Shafiqur Rahman |
| Director, Customer Service | A.M. Mosaddiqye Ahmed |
| Director, Flight operation | Capt. Sarkar Kamal sayeed |

| | |
|-----------------------------|---------------------|
| Chief Financial Officer | Vineet sood |
| Director, planning | Md. Shafiqur Rahman |
| Director, Marketing & sales | Mohammad Shah Newaz |
| Director, Administration | Rajpati Sarker |

2.3 Organogram



Head Office of Biman:

“Balaka Bhaban”, Biman Head Office, Kurmitola, Dhaka-1219, Bangladesh.

Slogan: Your Home in the Sky.

Website: *www.biman-airlines.com*

2.4 A Brief about Biman Bangladesh Airlines:

TURNING INTO PUBLIC LTD. COMPANY (PLC)

A committee under the chairmanship of secretary of Ministry of Civil Aviation and Tourism was formed on 19th February 2007 to provide recommendations regarding restructuring and commercialization of Biman. As per the recommendation of the committee, the council of advisors to the Caretaker government decided on 19th May 2007 to convert Biman into a public limited company (PLC) retaining 100% ownership by the Government and to reduce the manpower of Biman.

On 23 July 2007 Biman Bangladesh Airlines Ltd. came into existence as a public limited company with 100% government ownership. But actual operation of the company began from the 1st August 2007 after signing of an agreement on 31 July 2007 regarding “Transfer of Undertaking” of Bangladesh Biman Corporation to the new company by the Ministry of Civil Aviation and Tourism and Biman became a PLC under the Company Act, 1994.

MANAGEMENT

The airline has been wholly owned by the Bangladesh government through the Bangladesh Biman Corporation since its inception. In 1977, Biman was converted into a public sector corporation which afforded Biman limited autonomy, governed by a board of directors appointed by the government. The authorized share capital was increased to Tk 2 billion in 1987, and Biman was transformed into a public limited company, the largest in Bangladesh, in 2007.

2.5 SWOT Analysis

Strength:

- Experienced and skilled manpower.
- Have a good brand image in the mind of Bangladesh.
- Excellent hospitality.
- Huge operational investment.
- It provides both passenger & cargo services.

Weaknesses:

- Compels bureaucratic system.
- Political influence.
- Unsatisfactory promotion system.
- Dissatisfaction among employees.
- Less innovation.
- Maximum planes are on lease.

Opportunity:

- It provides two types of services- passenger & cargo.
- Large market of cargo service.
- Low price of air tickets.

Threats:

- Local & foreign airlines competitors.
- Rising fuel price.

2.7 Fleet Information:

On 4th January 1972, Biman Bangladesh Airlines made its journey with a DC-3 aircraft. After procured two-F-27s, Biman finally took-off on March 7, 1972 with domestic flights to Chittagong and Sylhet from its base in Dhaka. Shortly afterwards, a Boeing 707, joined the airline's fleet, allowing Biman to begin international flights. By the end of the seventies, Biman had a fleet of 8 F27 and 5 Boeing 707. Biman was serving 7 domestic and 25 International destinations.

Biman made purchase of two new Airbus 310-300 in 1996 from Airbus company and phased out its ATPs in 2004. In order to modernize Biman fleet with new generation aircraft, Biman signed 2 agreements with Boeing in April and May 2008 for purchasing new generation 4x 787-8, 4X 777-300ER and 2X 737-800 aircraft. Three 777-300ER joined Biman fleet in October/November

2011 and February 2014. Besides two 737-800s and 4 new 737-8s are scheduled to be delivered by Boeing in November/December 2015 and 2019-2020. Currently Biman is operating 7 domestic and 25 international destinations. Biman is continuously working to enhance its fleet capability by leasing more appropriate capacity aircraft commensurate with market demand and serve the valued passengers at home and abroad.

The composition of existing fleet of Biman is as follows:

| Type | Reg.No | Business seating | Economy seating | Seat quantity | Remarks |
|-----------------|---------|------------------|-----------------|---------------|---------|
| Dash- 8 | S2- AGR | N/A | 74 | 74 | Lease |
| Dash- 8 | S2- AGQ | N/A | 74 | 74 | Lease |
| 737-800 | S2- AFM | 12 | 150 | 162 | Lease |
| 737-800 | S2- AFL | 12 | 150 | 162 | Lease |
| Air Bus-310-300 | S2- ADK | 24 | 198 | 222 | own |
| Air Bus-310-300 | S2- ADF | 24 | 196 | 220 | own |
| 777-200 ER | S2- AHL | 12 | 307 | 465 | own |
| 777-200 ER | S2- AHK | 12 | 307 | 465 | own |
| 777-300ER | S2- AFQ | 35 | 384 | 419 | Lease |
| 777-300ER | S2- AFP | 35 | 384 | 419 | Lease |
| 777-300ER | S2- AHM | 35 | 384 | 419 | Lease |
| 777-300ER | S2- AHN | 35 | 384 | 419 | Lease |



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Chapter 03

Analysis

3.1 Service Values

Trusted: It starts with a commitment to personal and corporate integrity *Attributes* are honest, fair, dependable, responsive and consistent.

Collaborative: Teaming with co-workers and its customers to provide services that are better than what can do individually.

Attributes are respect, listening, learning, contributing, customized, and scalable, robust.

Innovative: Applying technologies, processes, and methods in new ways to provide quality services.

Attributes are creative, unique, relevant, practical, proven and valuable.

Efficient: A focus on improving its own efficiency without decreasing the strength of its relationship and commitment to our customer.

Attributes are streamlined, economical and friendly.

Global/Local: The people and facilities that support the customers' worldwide operations global, regional and local.

Attributes are networked, coordinated, responsive and familiar.

3.2 Products/Service Offering

Product

An airline company mainly sells service. It carries passenger or cargo or both from one point to another point. Biman Bangladesh offers 16 Domestic and 102 International flights through its 13 local and 28 worldwide branch offices.

Biman carried its passengers by using the following five types of aircrafts:

- Dash- 8
- 737-800
- Air Bus-310-300
- 777-300 ER
- 777-200ER

Services

Biman Bangladesh Airlines basically provides two categories of services:

- Domestic Flights
- International Flights

Domestic flights:

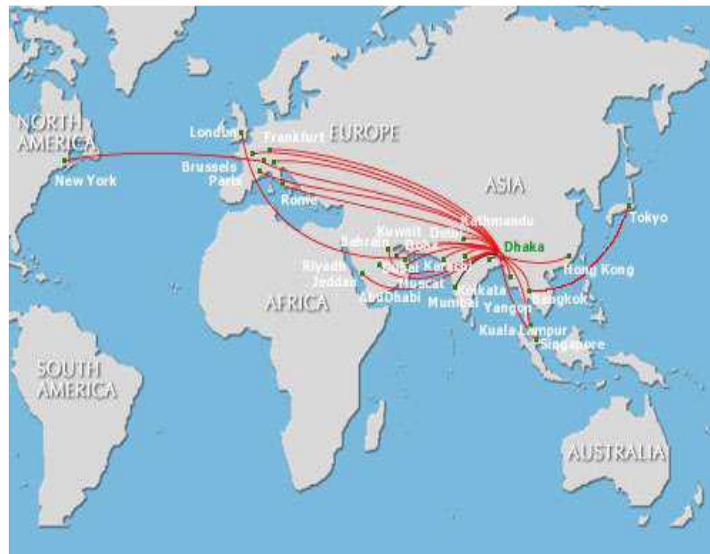
Currently Biman has the following domestic flights:

- Sylhet
- Saiyadpur
- Rajsahi
- Jessore
- Barisal
- Chittagong
- Cox’s bazaar

International flights:

Bangladesh Biman provides 51 departure and 51 arrival fights per week. It has the following International flights from Dhaka to:

| | | | | |
|-----------|----------|-------------|-----------|-----------|
| Abu Dhabi | Bahrain | Hongkong | Singapore | Singapore |
| Delhi | Bangkok | Dubai | New York | Frankfurt |
| Jeddah | Calcutta | Karachi | Doha | Kuwait |
| London | Katmandu | Kualalumpur | Paris | Tokyo |
| Riyadh | Rome | Brussels | Muscat | Yangoon |



3.3 Flight Classes

A two-class service (J and Y) is operated on Biman's wide-body airliners and a single class service is available on the smaller aircraft. The Maslin Executive Class cabin on its Airbus A310s is set up in a 2–3–2 Configuration.

3.4 Hajj Operation

Biman is honored to have the opportunity to serve the Hajj operation. During the fiscal year, it successfully transported 31,700 Hajj Pilgrims to Saudi Arabia through operation of 54 Hajj flights and also 32 scheduled flights from Dhaka and Chittagong. During the previous year, Biman had transported 29,604 Hajj Pilgrims through 40 Hajj flights from DAC-LHR-DAC by other airlines.

3.5 Cargo Service

Biman also operates a cargo service using the cargo holds of its passenger aircraft to ship freight to international destinations. It has established Cargo Village at Shahjalal International Airport where the cargo is packaged and labeled before being loaded onto its aircraft.

While the air cargo industry in Bangladesh grew by 16.5% in the fiscal year 2003–04, Biman's cargo operations stagnated when private operators such as Bismillah Airlines, Best Aviation and Air Bangladesh produced a 108% growth from the previous year. The private operators increased their share of the cargo market by 10.6% and were responsible for handling 24% of the total 99,000 tons of cargo at the expense of both Biman and foreign airlines which saw a reduction in their shares by 4.6% and 6.0% respectively. Foreign airlines handled 47% of the total cargo with Biman taking on the remaining 29%.

Cargo rates have been improved on many sectors. The bulk carrier baggage's ex Hong Kong carried by Calcutta-oriented passengers and the huge household console shipments from London destined for Sylhet poured huge revenue in Biman's exchequer.

3.6 Direct Service Dac-Lhr-Dac

Biman has introduced dedicated direct flights on DAC-LHR-DAC route since March 2010. It may also be mentioned that there are no direct flights from DAC-LHR-DAC by other Airlines.

3.7 Network

Biman had 22 destinations in its network including 02 domestic destinations. Due to continuous losses, operation on some destinations was suspended. This initiative decreased losses. With the introduction of additional aircraft, some of the suspended routes have been revived. Operation to New York is expected to resume soon.

3.8 Marketing & Sales Team

As a part of the re-organization plan, restructuring of the Marketing Department has been undertaken to prepare the airline for the highly competitive market environment. There organized Marketing approach places emphasis on revenues from income streams of passenger, Cargo and other businesses.

3.9 Introducing Intra-Net and Office Management Software

With the cooperation of Boeing, Biman has established a PC based Intranet that would enable speedy decision-making. This state of the auto system would take help from different Office Management Software which will make routine decision-making very user-friendly.

3.10 E-Ticketing

After implementing E-ticketing in 2007-2008, within the IATA deadline, Biman continued to achieve improvement in this area, through implementation of Departure Control System in RLIH, JD and CGP, travel with e-tickets from those station were made smoother. Interline E-ticketing Agreements were signed with 9 more airlines.

3.11 Internet Booking Engine (IBE)

Biman introduced Internet Booking Engine (IBE) for the airline's reservations and ticketing system. By introducing IBE to the airline's ticketing system, passengers will now directly retrieve information about airline schedules and able to make booking. Internet Booking Engine (IBE) is an application, which helps travel and tourism industry support reservation through the internet. It helps the consumers to book flights, hotels, holiday packages, insurance and other services online.

This is a much needed application for the aviation industry as it has become one of the fastest growing sales channels. With the introduction of Internet Booking Engine (IBE), the airlines, at long last, has been able to make direct exposure to customers, again IBE will help Biman to cut off extra expenses and to support instant booking and payment.

3.12 Non-Stop Services By

Introduction of non-stop services by b-77 on DAC-LON-DAC and DAC-ROM-DAC sectors has helped Biman retain its ethnic markets in the face of stiff competition from other indirect operators.

Biman strengthened its position in UK market, as this non-stop service has been proved very popular to the Bangladeshi ethnic community. Operation of B-77 to Singapore and Kuala Lumpur for 3 months in fiscal year 2009-10, before utilizing it on London and Rome sectors, helped Biman carry huge labor, tourist and business traffic from different points, especially from Kathmandu.

3.13 London- Dubai-Sylhet Direct Flight

In meeting the long demand of ethnic Bangladeshi passengers, the routing of one of the Sylhet bound flights as London-Dubai-Sylhet direct with Airbus aircraft with higher fares have earned Biman good revenue.

3.14 Abacus NMC Bangladesh

Biman through an innovative approach started GD marketing in Bangladesh- Biman and Abacus formed a National Marketing Company (NMC) for Bangladesh on 09 July, 2002. Certificate of Incorporation was issued by the Register of Joint Stock Companies on 23 July 2003. In Abacus NMC Bangladesh Biman holds 51% share. Abacus NMC Bangladesh business is generated from agents booking on Abacus for all the operating airlines in Bangladesh. It earned substantial profit in every year. During the financial year 2009-10 Biman earned dividend income from Abacus amounting to Tk. 16,524,000.

3.15 Migration of Reservation and SITATEX Services

Biman used Dumb Terminals for its reservation services for the last two decades. In addition, older version of SITAEX played an important role for messaging services. To upgrade the services, Biman entered into New Generation Network and replaced Dumb Terminals and older PCs for entire network. For doing so, we introduced IP-VPN (Internet Protocol- Virtual Private Network) for network side and replaced desktops by branded PCs. This migration results to access high speed data transfer. At present, it possesses a world standard reservation and SITATEX services.

3.16 Airlogica (Data Mining Technology)

Working in partnership with GDS companies is very important. It is equally important to maintain GDS cost at a rational level. Biman has signed an agreement with AIRLOGICA. It uses sophisticated data mining techniques to assist airlines to fully appreciate Global distribution System costs by allowing the user to choose specific reports and perform ad hoc queries.

3.17 Billing & Settlement Plan (BSP)

In 2008-09, Biman initiated efforts to bring its stations under BSP. By the end of 2008-09, all Biman stations have been brought under BSP except Rome due to local market scenario. BSP is

a system designated to facilitate and simplify the selling reporting and remitting procedures of IATA Accredited Passenger Sales Agents, as well as to improve financial control and cash flow for BSP airlines. A truly worldwide system, at the close to 2008, there were 88 BSPs covering 160 countries and territories serving 400 airlines, while gross sales processed amounted to USD 239 billion. BSP simplifies total distributions burdens of the airlines as agents issue one Sales Report and remit one amount to a central point, airlines receive one settlement covering all agents and most importantly agents' sales are reported.

3.18 Cargo Accounts Settlements Systems (CASS)

Biman has also been among the pioneering airlines to introduce Cargo Accounts Settlement Systems (CASS), designed to simplify the billing and settlement of accounts between airlines and freight forwarders. It operates through CASS link, an advanced global web-enabled ebilling solution. CASS yields a twofold solution as it replaces:

- a) Airlines' traditional paper based invoicing,
- b) Agents' manual controlling of those invoices, while all benefit from the enhanced financial control and improved cash flow as the CASS rate of success in collecting funds is virtually 100%.

3.19 Passenger Intelligence Services (PaxIS)

At the beginning of 2008 Biman took the initiative of implementing PaxIS, a powerful and essential market intelligence tool for air travel analysis, which was finally implemented during May 2009. Pax IS a product developed by IATA Business Intelligence Services, is the most comprehensive airline passenger market intelligence database available today, with more accurate, reliable and affordable data captured through IATA Billing & Settlement Plan (BSP). Pax IS reports issued ticket information from more than 400 airlines carrier's covering 82 BSP offices. The product is presently being extensively used for Network planning; Fleet planning, Marketing planning and Agency monitoring and performance analysis.

3.20 Ground Handling

Biman- since its inception has been providing this very important and specialized service to all the airlines operating from Dhaka and Chittagong, both for passengers and cargo. In addition to handling its own flights, this strategic unit has been a source of substantial revenue. During the year Tk. 194.97 crore was earned from ground handling services. During the last year the figure was Tk. 179 crore. This is to mention here that during the year revenue from Cargo handling services to other airlines was Tk. 59.86 core and from cargo warehouse demurrage charges was Tk. 45.73 crore. A great change has come over in the Aviation Industry after 9/11. Diversified security requirements in passenger and baggage services have been imposed. IATA has also implemented global standards in the Aviation Industry. As such hundreds of standards have been

set to which the Airlines are required to comply with to ensure safe and secured services. Biman naturally had to struggle to cope with this critical business environment with limited resources. Biman's ground handling services has been suffering due to inadequacy of Ground Services Equipments (GSE) and man power. Procurements of GSE is now in the pipeline. Additional man power has also been inducted. Taking into view the current business scenario the benchmarks have been formulated to raise the standard of service and all out efforts are being made to achieve the goal.

3.21 Market Liberalization/New Competition

Pressure from the private sector and the recognition of Biman's difficulties in effectively serving the aviation market, the CAAB (civil Aviation Authority of Bangladesh) has begun to liberalize the aviation market in Bangladesh and to provide authority for new airlines to operate both domestically and internationally. From the foreign carrier side Biman is facing tough competition in almost all sectors. Especially the mega carriers Saudia, Emirates, Gulf, and Etihad etc are moving very fast to occupy the market share of Middle East bound passengers. Whereas the Cathay Pacific Dragon Air, Singapore Airlines, Thai Airways, Malaysian Airlines are the great hurdle for the market of ASEAN bound passengers. Even for the regional sectors the Jet Airways, Indian Airlines, Air India, King Fisher are also becoming big factors to push Biman out of race.

According to government policy some domestic carriers are also spreading their wings internationally. As a result the local market is rolling in triangle motion. The promising private local carriers' are-

GMG Airlines

GMG Airlines is a fully owned subsidiary of the GMG Group of companies and commenced schedule service in April 1998. Now it operates a fleet of 3 MD-82, 2 Bombardier DASH8Q100 and 2 Bombardier DASH 8 Q200 aircraft.

It operates domestic services at Dhaka, Barisal, Chittagong, Cox's Bazar, Jessore and Sylhet.

It operates international services to Calcutta, New Delhi, Kathmandu, Kuala Lumpur, and Bangkok. It has two B767-200ER and one B777-300 on order and plans to introduce new international services to Karachi, Singapore, Hongkong, Dubai, Abu Dhabi and Muscat during late 2007 and 2008.

UNITED Airways:

United Airways is a new start up airline that commenced service only in July 2007. It operates through Bombardier DASH 8-100 service from Dhaka to Sylhet and Chittagong and also started operation internationally for Bangkok and Kuala Lumpur.

REGENT Airways:

Regent Airways is a new airline formed in Bangladesh in 2010 by H.G Aviation Limited, a subsidiary of the Habib Group. Regent Airways operates 2×Dash 8-300 domestically within Bangladesh.

ZOOM Airways:

Zoom Airways is a cargo airline based in Dhaka, Bangladesh. Formed in 2002 as Z-Airways and Services, the airline operates cargo charter flights in Bangladesh and in the South Asia region in 2005, the airline was renamed to zoom Airways.

3.22 Operational Performance

The Directorates of Biman Bangladesh Airlines Limited observed that the company has made a consolidated loss of Tk. 80.14 crore during the year 2009-2010.

During the financial year 20013-2014, Biman has earned a total revenue of Tk. 2,913.60 core including revenue from hajj Operation of Tk. 290.1 core. During the previous year 2008-2009, it was Tk. 3012.82 crore including revenue from Hajj operation of Tk. 298.82 core.

Passenger revenue contributed about 77.87% of total operating revenue of the airline. Cargo and Express-Baggage contributed 8.22% and 1.27% respectively. It may be mentioned here that due to capacity constraints, Biman could not fully exploit the cargo market opportunity. Biman has brought cargo under automation, and other modern marketing mechanism has also been set to optimize revenue with the planned fleet enhancement. Due to aged aircraft and fleet constraints even with leased aircraft during the 2nd half of the year, Biman failed to achieve satisfactory level of schedule regularly during the period under review. With a view to Fleet modernization, Biman has signed agreement in April & May 2008 with Boeing for procurement of 10 new generation fuel-efficient aircraft. Other strategies have been taken to overcome existing fleet constraint, efficiency enhancement and image building. One 777-200 aircraft are expected to join the fleet in January 2011.

3.23 Key Performance Indicators

| Available Seat Kilometer (ASK) | In Lakh |
|---------------------------------------|----------------|
| Domestic | 503.05 |
| International | 68,285.30 |
| Total | 68,788.35 |

| Revenue Passenger Kilometer (RPK) | In Lakh |
|--|----------------|
| Domestic | 276.00 |
| International | 49,995.91 |
| Total | 50,271.91 |

| Passenger Info | Number of Passengers |
|-----------------------|-----------------------------|
| Domestic | 113,813 |
| International | 1,297,676 |
| Total | 1,429,489 |

| Cabin Factor | in Percentage |
|---------------------|----------------------|
| Domestic | 27% |
| International | 73% |
| Total | 100% |

| Available Ton Kilometer (ATP) | In Lakh |
|--------------------------------------|----------------|
| Domestic | 61.07 |
| International | 10,531.60 |
| Total | 10,592.67 |

| Revenue Ton Kilometer (RTK) | In Lakh |
|------------------------------------|----------------|
| Domestic | 29.65 |
| International | 6,690.24 |
| Total | 6,719.89 |

| Load Factor | In Percentage |
|--------------------|----------------------|
| Domestic | 36% |
| International | 64% |
| Total | 100% |

| Cargo Carried (CGO & Mail) | In Ton |
|--|---------------|
| Domestic | 96.96 |
| International | 28,651.08 |
| Total | 28,748.04 |

| Number of Flights | |
|--------------------------|-------|
| Domestic | 2,222 |
| International | 6,292 |
| Total | 8,514 |

| Block Hour | |
|-------------------|-----------|
| Domestic | 1,456.10 |
| International | 29,823.41 |
| Total | 31,279.51 |

Notes:

1. Revenue passenger-km= Number of passengers carried × distance flown(in km)
2. Available seat-km= Number of available seats × distance flown (in km)
3. Passenger load factor = Revenue passenger-km expressed as a % of available seatkm
4. Cargo load = Cargo & mail load(in tons) × distance flown (in km)
5. Cargo load factor= Cargo & mail load expressed as % of gross capacity
6. Gross capacity= Cargo capacity production × distance flown (in km)
7. Overall load= Total load carried (in tons) × distance flown (in km)

3.24 OPERATING RESULTS

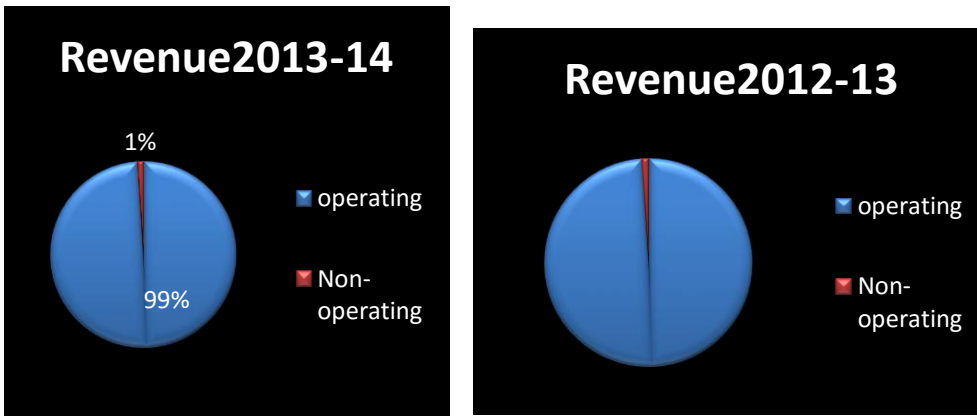
During the FY rear 2013-2014, Biman Bangladesh Airlines Ltd has achieved the following Operating results-

- ❖ Operating revenue: Tk. 29,136,061,492
- ❖ Non-operating revenue: Tk. 300,179,418
- ❖ Total revenue: Tk. 29,436,240,910
- ❖ Total expenses (operating, non-operating & interest): Tk. 30,237,603,824
- ❖ Net profit/Loss: Tk. (801,362,914)

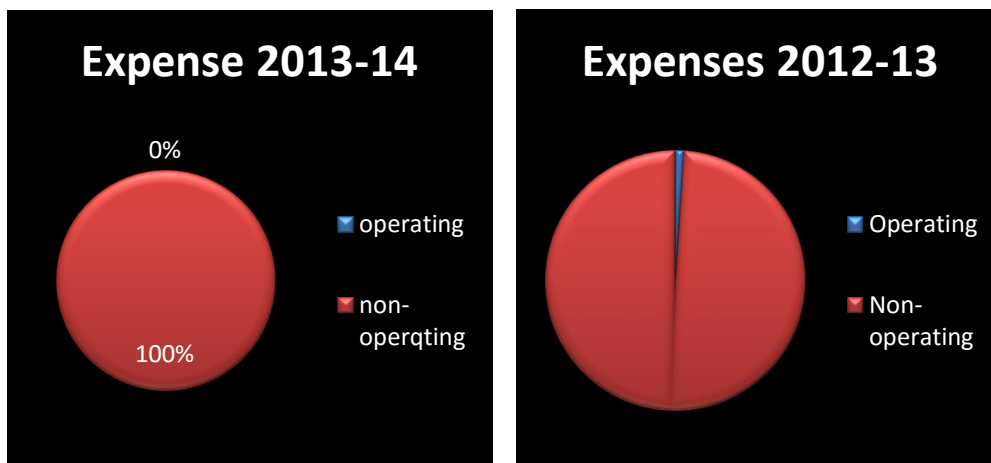
A statement showing the comparative Financial Results of FY 2012-13 and FY 2003-14 is Summarized below

| Particulars | 2013-2014 | | 2012-2013 | |
|---|-------------------|--------------------|-------------------|---------------|
| | Tk. In Core | % of total revenue | Tk. in core | Total revenue |
| A. Operating Revenue | 2,913.6061 | 98.98 | 3,012.8213 | 99.12 |
| B. Non-operating Revenue | 30.0180 | 1.02 | 26.8829 | 0.88 |
| C. Total Revenue | 2,943.6241 | 100 | 3,039.7042 | 100 |
| D. Operating Expenses | 3,004.7588 | 102.08 | 2,967.6308 | 97.63 |
| D.1. Fuel cost | 1276.3631 | 43.36 | 1346.7096 | 44.30 |
| D.2. Maintenance, landing, parking, & aircraft handling | 427.6874 | 14.52 | 490.6036 | 16.1398 |
| D.3. Selling, administrative & other expenses | 932.9248 | 31.69 | 1051.6198 | 28.50 |
| D.4. Lease rent | 287.0002 | 9.75 | 185.1619 | 6.09 |
| D.5. Auditors remuneration | 0.0625 | 0.002 | 0.0590 | 0.002 |
| D.6. Directors remuneration | 0.2869 | 0.006 | 0.0740 | 0.002 |
| D.7. Depreciation expenses | 80.5339 | 2.74 | 785648 | 2.58 |
| E. Non-operation expenses | 4.4965 | 0.15 | 32.6428 | 1.0 |
| F. Operation & Non-operating expenses (D+E) | 3009.2552 | 102.23 | 3000.2736 | 987028 |
| G. Operating profit (A-D) | (91.1527) | (3.10) | 45.1906 | 1.48 |
| H. Non-operating Profit (B-E) | 25.5215 | 0.86 | (5.7600) | (0.18) |
| I. Profit before Interest & tax (G+H) | (65.6313) | (2.23) | 39.4306 | 1.29 |
| J. Provision for Interest expense | 14.5050 | 0.49 | 14.5050 | 0.47 |
| K. Profit before tax | (80.1363) | (2.72) | 24.9256 | 0.82 |
| L. Provision for income tax | 0 | | 9.3471 | 0.30 |
| M. Net profit after interest & tax (K-L) | (801363) | (2.72) | 15.5785 | 0.52 |
| N. Dividend | 0 | | 0 | |
| O. Retained Earnings (M-N) | (80.1363) | | 15.5785 | |

Comparison of revenue income of Biman Bangladesh Airlines Ltd.



Comparison of Expenses occurs in Biman Bangladesh Airlines Ltd.



3.25 Financial Ratios & Highlights:

| Particulars | Ratio | |
|-----------------------------|---------------|---------------|
| | 30 June, 2014 | 30 June, 2013 |
| Debt service coverage ratio | 0.005:1 | 0.23:1 |
| Return on equity (ROE) | (0.039):1 | 0.007:1 |
| Return on Fixed Assets | (0.047):1 | 0.014:1 |
| Debt to Equity Ratio | 1.96:1 | 1.48:1 |
| Average Collection Period | 27 days | 27 days |
| Current Ratio | 3.47:1 | 2.38:1 |

3.26 Biman Flight Catering Center (BFCC)

Biman flight Catering Centre (BFCC) a wholly owned independent unit of Biman Bangladesh Airlines was setup in 1989. BFCC provides Biman's in-flight meals and is one of Biman's most profitable operations, regularly supplying food to Ethihad Airways. Air Afrikiyah and Cathay Pacific with casual orders from other airlines operating to Bangladesh. Saudi Arabian Airlines and China Eastern has started uplift of catering items and services form BFCC during the financial year 20013-14.

3.27 Biman Poultry Complexes (BPC)

The BFCC consumes 90% of the eggs and chicken from the Biman Poultry Complex (BPC), another profit-making subsidiary of Biman formed in 1976 and put into operation in November 1980 to rearing poultry at farms in Dhaka. Bird flu was detected at one of the farms in March 2007 which resulted in many livestock being culled. This was the first incident of bird flu in Bangladesh. Poultry industry in Bangladesh was partly pioneered by the Biman subsidiary in the mid-1970s, though the first poultry in Bangladesh was a private venture named *Eggs and Hens* established in 1964.

The medium sized breeder set up by BPC eventually led to NGOs and the government coming forward to develop the sector in early 1990. 694 are employed at BFCC and 90 in Biman Poultry Complex at Savar, 40 km North- West of Dhaka City, on 75 acres (300,000 m²) of land including 5 acres (20,000 m²) poultry shed, 1-acre (4,000 m²) residential area and 69 acres (280,000 m²) of agricultural land.

During FY 2013-14, it supplied 3, 64,005 kilograms of boiler chicken. The complex is planning again for production of chicken from summer 2010 after long suffering of a setback when Bird Flu was detected in March 2007. A large number of livestock had to be being culled. Poultry industry in Bangladesh was partly pioneered by this unit.

3.28 Bangladesh Airlines Training Centre (BATC)

Bangladesh Airlines Training Centre (BATC) began its journey as the Ground Training School in the Engineering Hangar at the old Airport in 1972 immediately after the war of Liberation and subsequently moved to Biman's own building at Frmgate. In 1984 the Biman Management took advantage of an ICAO/UNDP offer to setup an apprentice training school and acquired land from CAAB to start the project at Hazrat Shahjalal International Airport. The UNDP/ICAO assistance to setup Apprentice Training School was much better utilized to actually build a proper and full-fledged training centre for the national carrier. This is BATC today.

BATC offers all ground training to Biman's own personnel and personnel of other airlines. It also offers training to travel and cargo agents in a regular basis. Its main objectives are skill development of personnel for development and generating services. Its main mission is to train personnel requisite to the needs of the airline, skill development of personnel for in depth qualitative improvement of the airline service, attitudinal realignment of airline personnel for developing proper service-oriented mentality and management development for efficiency and long-term effectiveness.

BATC provides training in the faculty of Operation Technical, Management Development, Avionics Engineering, Aerospace Engineering, Customer Services, and Marketing & Sales. At present 34 faculty members are serving the BATC. In 2009-10, BATC conducted 625 courses for 4,164 participants. BATC is currently working towards European Aviation Safety Agency- 147(EASA-147) certification for the training centre as a pre-requisite to set EASA-145 certification for Biman's maintenance facility.

3.29 Ethics

Biman Bangladesh Airlines showed its profound commitment to fundamental values of integrity, transparency and accountability by signing the partnering against corruption initiative (PACI). It puts Biman amongst the rank of enterprises committed to Anti-Corruption doctrines reflecting the fact that corruption and bribery have been recognized as corrosive to economic progress:

3.30 Biman's Corporate Social Responsibility (CSR)

Biman's social responsibility is embedded in its mission and vision. In a disaster-prone country like Bangladesh here had been continuous flow of relief material. Biman on case to case basis, for such humanitarian relief gives exemption of handling and storage charge. Biman being sponsor of Biman Cricket Club is also contributing for the development of second most favorite sports of the country. During 2009 Biman Cricket Team won the runner up in the Premier division Cricket League of Bangladesh. Biman Chess Team became champion in the National Chess competition and also Biman Badminton Team won the championship title in the National Badminton Tournament.

3.31 Contribution to the National Economy

As a national flag carrier and the largest airlines service provider of the country, Biman has an important role in exporting manpower in the world market, through which it contributes in foreign exchange earnings. During the FY 2009-10, the company collected on behalf of the Government Tk. 48,460,189 as income tax, Tk. 12,424,582 as VAT and Tk. 9,27,864,900 as Domestic & foreign Air Travel Tax and deposited the same into the government treasury.

During the period, Tk.2, 39,930,155 as salary tax was also deposited into the government treasury. It is also mention here that the tax deducted at source by different banks against Interest Income in the FY 2009-10 amounts to Tk. 8,396,021.



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Chapter 04

Findings, Recommendations and Conclusion

4.1 Findings of the Study

- In the decision making process, the marketing managers of Biman Bangladesh Airlines Ltd. cannot work independently because of having ministerial influences. Sometimes emergency situation cannot meet immediately for complex bureaucratic system.
- Most of the executive directors of Biman Bangladesh Airlines Ltd. are not involved with aviation industry. They have wanted experienced and human resources skilled to run the Biman successfully and profitably.
- The available aircrafts of Biman Bangladesh Airlines Ltd. are old-fashioned and are not fuel-efficient. These are causing high maintenance costs.
- Biman is obliged by legislation to priorities national interest over commercial ones, And not to be a purely commercial airlines.
- The government is exercising the power as given by the ordinance in its activities. In this context, the government is utilizing Biman to render services for the nation, e.g. operating government VVIP flights, relief flights and hajj flight and carrying perishable items at cheaper rates.
- The Board has no higher authority because the Minister of Aviation who is the designated chief of the organization, is the Chairman of the Board himself. Therefore, the Board is neither directly accountable to any other body, nor is it under obligation to report to any other authority for its activities and performance.
- As a consequence of being a state-owned corporation, Biman has suffered from being politicized in many aspects. It has been politicized such as- operating domestic flights with wide bodied aircraft, political intervention in recruitment, promotion and decision-making.
- Corruption in different sectors of Biman is another significant barrier that is making it difficult for the organization to break away from loss making ways. Incidents of corruption is evident in purchase and leasing of aircraft, store and purchase of spare parts, in the tender process and in ticketing and reconfirmation.
- Its Man-Equipment Ratio (MER) at present is 1:367, while the international acceptable standard ratio is 1:200. Compared to other airlines, the number of Biman staff is fairly high but their remuneration is fairly low.
- Biman does not recruit any staff directly (i.e. from external qualified candidates) in officer level.
- The Biman does not maintain it flight Schedule on timely. It often delay flight schedule without showing any excusable reasons.
- The customer service quality of Biman is very poor because of lacking customization in providing service according to the level of customers.

• **4.2 Recommendations**

- Biman should be free from the government interference in decision making.
- Biman should operate by Biman people without any interference from the Ministry.
- It should purchase or lease the required number of new generation fuel-efficient aircrafts so that it can safely meet the demand of customers.
- It should make a phased fleet renewal plan.
- It should abide by the current business methodologies as used in world-class airlines to make it successful and profitable.
- Biman should recruit staff with required qualification directly in officer level.
- Recruitment, transfer, and promotion on political consideration must be stopped.
- The promotion system of Biman should make on the basis of both seniority and performance in lieu of conventionally seniority basis.
- Delay analysis should be undertaken as a routine process and necessary steps should be taken to maintain the schedule on timely.
- Modern cost effective inventory control system should be introduced.
- Leasing and purchase process of aircraft should be made transparent.
- Punitive actions against corrupt staff of the in and out station of Biman must be taken.
- Biman's existing procurement rules should be appropriately amended so that Biman can take its own business decisions.
- Biman should consult with expert people of reputed airlines companies to make it profitable.

4.3 Conclusion

The Biman Bangladesh Airlines Ltd is the only national flag carrier airline in Bangladesh. It is first Airline Company which is providing low price air services to the people of our country. It has been converted into public limited in the hope of advancing as profitable organization in 2007 by the caretaker government. But it is still unable to make it as profitable company. The subsidiaries of Biman such as BFCC and BPC are performing profitable unit. Biman Bangladesh airline is 100% owned by the Bangladesh government.

Bangladesh Biman Corporation is a commercial venture of the Ministry of Civil Aviation. The chief of this government-owned organization is by designation the Minister of the Aviation Ministry. This corporation is operated through a Board of Directors. Usually, this Board of Directors is headed by a Chairman who is supposed to be accountable to a higher authority.

Biman provides different types of services such as passenger service, cargo service, mail service, catering, and training for the Biman staff. Biman has two categories of passenger services, provided through domestic and international flights that it operates.

Biman Bangladesh Airlines was formed on 4 January 1972 with 2500 skilled and unskilled manpower without any capital and aircraft. Biman was established as of a corporation on 27 October 1972 with a view to ensuring better operation and development of air transport service.

Over the last decades, Biman faced a number of problems. Information on mismanagement and corruption in the organization has trickled out in recent years. Such incidents include mismanagement in ticket confirmation and reconfirmation, poor passenger service, corruption in purchasing spare parts, alleged corruption on aircraft lease, lack of planning with regard to scheduling, fleet planning, and human resource management and so on. Although Biman is one of the first choices for fly to many customers, in many aspects it lags behind. Therefore, the following recommendations are made to be considered for future improvement and development of sound operation system within Biman Bangladesh Airlines.