





# Horses for courses

**Morag Cuddeford Jones meets Michael O'Leary chief executive of controversial airline Ryanair and discovers how he has all but defied the laws of gravity when it comes to growing a successful brand**

Can you tell a lot about a man by the airline he runs? Richard Branson's Virgin is tongue in cheek, the people's champion of air travel. John King's British Airways was very proper, very British. Michael O'Leary's Ryanair? Aside from both being Irish, the two couldn't be more different. If Ryanair were a person it would be firmly from bah humbug stock, with a hint of Victor Meldrew and a hefty dose of Scrooge. Its chief executive, Michael O'Leary on the other hand, is charm personified, with a dollop of self-deprecation and language so fruity he could open a grocer's.

When we meet at Cheltenham racecourse where he combines his love of horseracing with some hard business, he is dressed, as always, in a windcheater, open-necked shirt and jeans. He looks like a man you'd most likely see propping up the local pub quiz team, not heading a multi-million Euro shareholder meeting with Merrill Lynch. But he runs Ryanair with both eyes firmly on the bottom line. While customers may complain about the scrum for check-in, shareholders just have to love the returns he's producing.

O'Leary could make cost-cutting an Olympic sport, he insists: "We make mountains out of molehills wherever we think that this will reduce our costs. I was travelling to a shareholder meeting and some idiot booked me business class on a British Airways flight." It wasn't the competitor aircraft that bothered him, but rather the £800 return airfare. He cancelled his ticket and got himself on a Ryanair flight for £50 instead.

But despite the popularity of low-fares airlines, consumers still retain a romanticised 1950s vision of air travel, expecting the towellettes and free gin and tonics. That O'Leary seems determined to reduce short-haul to little more than an airborne scheduled bus service has led to Ryanair's famously disgruntled customer base. A November 2007 survey of UK travellers by website, TripAdvisor, found the company to be the country's most despised, only just losing the world title to US Airways.

He finds grudging admiration from colleagues in the airline sector. BMI chairman, Sir Michael Bishop, names O'Leary as his most admired competitor, saying he is: "head and shoulders above the rest". However he qualifies this by pointing out: "If you make a complaint, we actually reply to your letter – unlike Michael O'Leary, who throws them in the bin."

O'Leary's response is instead to announce that Ryanair delivers "fantastic customer service", noting that the airline carries more passengers and loses less bags than British Airways, whose ad strapline is: "The world's favourite airline".

But Ryanair charges extra for everything including checking in and is notorious for depositing its passengers in airports up to 100km away from the city they are allegedly serving. He grins: "Yes, there will be people who want to make connections that we'll never cater to but who wants to go through Heathrow or Charles de Gaulle? They're a nightmare!"

## Watching the pennies

O'Leary's market trader mindset belies a comfortable, conservative Irish upbringing. After graduating from an accountancy degree at Trinity College, Dublin, he took a job with KPMG. There, one of his clients was Tony Ryan, the chief executive of small start-up airline Ryanair. At the time it was running short hops from Ireland to the UK, with only a couple of routes and was haemorrhaging money. Ryan convinced O'Leary to be his personal tax adviser in 1987 and eventually employed him at Ryanair itself, making him deputy chief executive in 1991. Why did Ryan choose him?

O'Leary admits: "If you look at the airlines around the world there are really very few people qualified to run them, as they're all run so badly. You may as well have a tax consultant have a go as anyone else." O'Leary believes his advantage was that he'd never worked in the airline industry before, unimpeded by accepted wisdom: "So many people believe the end of the world is nigh if you remove the free tea and coffee. When you're talking about short haul, it's ultimately about price. We have to have the lowest prices, guaranteed."

Visiting the US in 1990, O'Leary was impressed with the low-cost model being used by Southwest Airlines and brought it to Ryanair. In the 13 years he has been at the helm, becoming chief executive in 1994, the company has grown to accommodate 26.6 million passengers in 2007, with pre-tax profits up 23% to €459.5m (£319.7m) in the six months to the end of September.

His ascent hasn't been without turbulence. O'Leary reveals: "It's taken about five or 10 years of delivery to prove to them that customers have been bullshitted for years. All an airline is, is a bus with wings on it." For all the criticism of its bargain basement approach to the once 'glorious' days of air travel, Ryanair is a brand to be reckoned with.

O'Leary himself is one of the richest men in Ireland, with a reported personal fortune of €636m (£448m). He has doubled Ryanair's size in the last few years. What is left to achieve? In true, modest form, O'Leary exclaims: "Double it again – intergalactic domination!"

**Q&A overleaf**

Q&A **Michael O'Leary**

# No frills means low bills

**Michael O'Leary explains to Morag Cuddeford Jones how turning received wisdom on its head in the airline industry keeps customers coming back for more**

**MICHAEL O'LEARY**

**Born:** 1961, Co Westmeath, Ireland

**Education:** Clongowes Wood College; Trinity College, Dublin.

**Employment history:** Tax consultant, KPMG, 1984-86; newsagent owner, adviser to Tony Ryan, 1985-87; director Ryanair, 1988-91; deputy chief executive, Ryanair, 1991-1994; chief executive Ryanair, 1994-present.

**MCJ:** The traditional response to any negative press is to bring out the PR department in firefighting mode, yet Ryanair almost embraces it. How do you get away with such a perverse attitude?

**MO'L:** Some of the urban legends about our famous cost-cutting attitude aren't actually true but we own up to them anyway because they make very good stories. A story circulated in the UK that, as part of our cost cutting, we were banning people from charging their mobile phones in the office, saving ourselves 0.00002c per day. The PR people wrote up a denial but I said 'Why?'. They replied: "Because it makes us look nasty, petty, and cheap". Instead, I issued a press release saying that, absolutely, we ban mobile phone charging. The more we can sound nasty, petty and cheap, the more we can reinforce in people's minds that we are extremely bloody cheap and they will choose to fly with us.

Recently I did an interview with *The Wall Street Journal* and I was sitting there with a hotel pen I'd nicked from somewhere. I was asked why and I said: "We at Ryanair have a policy of stealing hotel pens. We won't pay for Bic biro as part of our obsession with low costs".

**MCJ:** One of your stated ambitions is that you hope eventually to make the fare for flying Ryanair free. Part of this will be through cross-selling goods such as lottery tickets on board but there are still operating costs. How is this going to be possible?

**MO'L:** Five years ago one of our engineers realised that we spent €2.5m (£1.79m) repairing reclining seats. Large people who use reclining seats tend to break the mechanisms. That was when we had 50 aircraft. A few years later we had 300 aircraft and I thought, shit, we're going to spend €15-20m (£11-14m) repairing these seats. How could we not repair them? We took the revolutionary step of going to Boeing and asking for non-reclining seats so now one of the features of our planes is that they have non-reclining seats.

One of the other key glitches we had was security checks, because of those of you who throw the rest of your crap in the seat-back pockets. One of the things that affects the aircraft turnaround is that individually they have to go and inspect every single one of those seat back pockets. How the hell could we stop them having to do that? Well, the cabin crew came up with the legendary idea that we could get rid of the seat-back pockets.

**MCJ:** One of the biggest criticisms of Ryanair is that the airports it uses are not the most convenient. Now that the company is a major player, why not improve its reputation and join the larger transport hubs such as Heathrow or Charles de Gaulle?

**MO'L:** Who wants to travel through Heathrow? It's a nightmare! You spend ages in queues and security checks when you could travel to Stanstead with a fast train into the centre of London more cheaply and with less hassle. Equally, we aren't allowed to claim that an airport is in a city if it doesn't call itself 'Frankfurt airport'. If you want to spend hundreds more pounds to not have to take a half-hour train journey then go ahead.

**MCJ:** Some are puzzled that an airline can offer such stripped

## Michael O'Leary Q&A

**“The more we can sound nasty, petty and cheap, the more we can reinforce in people’s minds that we are extremely bloody cheap and they will choose to fly with us.”**

**back service and have such a notorious reputation for customer relations, and yet be as successful as you are?**

**MO’L:** We’re growing like gangbusters: One million passengers a week, twice the traffic of British Airways. We offer 560 routes and we provide wonderful customer service by delivering fantastic punctuality. Ryanair is the most on-time airline anywhere in Europe.

We lose half a bag per thousand passengers carried compared to British Airways which loses 30 per thousand and it has the cheek to charge you for that kind of service. What makes Ryanair different is we offer ‘lowest fares guaranteed’. That is our simple message. We don’t have the widest seats and you’re not getting any free food on board, bummer. But you do get a thirty-quid fare.

That has been the secret of our success for the last 20 years and I hope it will continue to be so for the next 20. In five years, we expect to be carrying 100 million passengers, which we hope will keep our share price flying and keep me in racehorses, which is the only reason I go to work anyway.

**MCJ:** We’re meeting at Cheltenham Racecourse and your love of horseracing is well-known. Since every tiny detail of commercial flight has to be tied to the bottom line, it’s unexpected to see what looks like a ‘chairman’s whim’ in your strategy?

**MO’L:** We got into racing because there are strong Irish links with Cheltenham. There is an annual exodus, mainly of drunken Paddies [sic: Irishmen] coming for four days of gambling and other recreation. It’s not confined to Cheltenham but other airports too so we have quite a commitment in flying people to racing in the UK for those misled people who want to go racing in UK rather than in Ireland. It’s not just from Ireland either, but increasingly from Scotland and also France. Part of the deal is that by incentivising people to book their flights and festival tickets early, they get one free festival ticket per booking.

If you went on Google and stuck in ‘Ryanair chase’ you’d get 216,000 worldwide media references to it. That’s an equivalent of £3.2m in advertising value to us. It’s absurd, for one poxy race meeting in the Cotswolds. It makes no sense that one race on one course in the Cotswolds in England should deliver that kind of international noise but it does and it’s great value for money.

Jump racing may have a narrow focus on Northern Europe but it has the international audience that Ryanair is looking for. We look for opportunities that people don’t

expect. From the start of May, people are talking about the Festival that happens in March the following year, which is a lot of time for your brand.

**MCJ:** Ryanair is a big player now, why not associate the brand with a higher profile sport?

**MO’L:** Other sports are outrageously expensive for what they deliver. If you’re sponsoring behind the corner flag at some football ground, you’ll pay much more for a lot less value.

Formula One is a classic example. You pay a couple of million for a tiny logo behind the wheel to be exposed to a worldwide television audience of 2.2 billion – none of whom can see your bloody brand. Horse racing gives terrific value for money – you get a great bang for your buck. ■

### Ryanair facts

- In the current year, Ryanair will carry 50 million passengers on 563 low-fare routes across 26 European countries.
- Ryanair was set up in 1985 by the Ryan family with a share capital of just £1 and a staff of 25.
- In 1990, copying the Southwest Airlines low-fares model, Ryan Air was re-launched under new management as Europe’s first low-fares airline.
- Ryanair currently employs a team of 4,800 people.
- In March 2007 the International Air Transport Association, confirmed that Ryanair has become the world’s largest international airline.
- Ryanair expects to carry 52 million passengers in 2008.
- Ryanair’s bright yellow interior with non-reclining seats and no back-seat pocket reduce the amount of rubbish left on the plane for quicker turn-around times.

