

The Endless Strike:

Avianca and the 700 Angry Pilots

Group 8

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29.5 Million
Passengers



106
Destinations



25
*Destinations in
Colombia*



6,000
Flights per Week

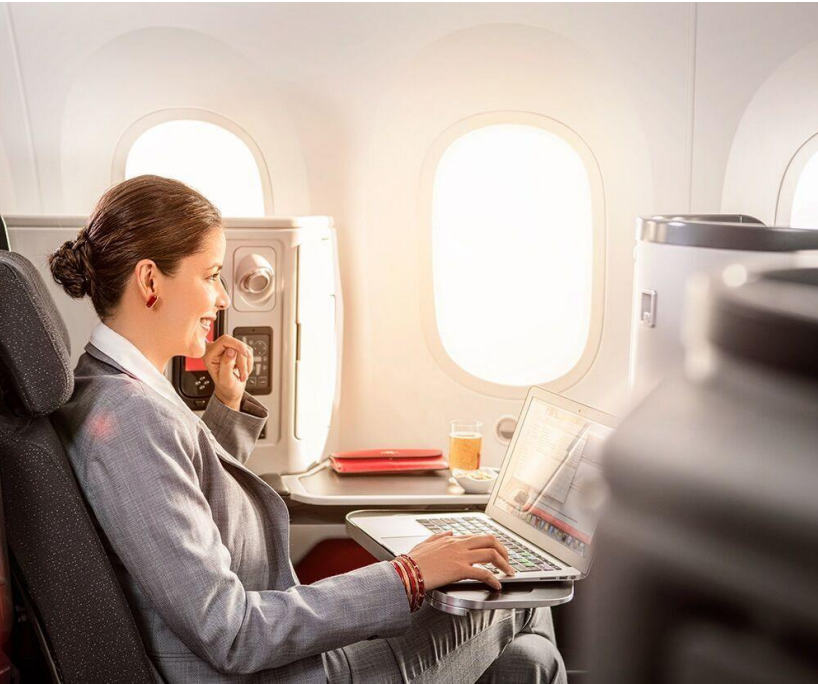


21,000
Employees

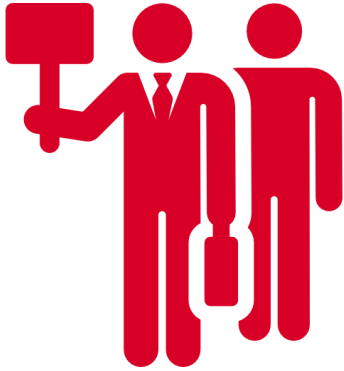


61 %
*Market Share
in Colombia*

Avianca



What is Happening?



Approx. 700 pilots went on strike on September 20th

→ More than 50% of pilots!

→ The ACDAC Union is asking for:



60% increase of wages



Reduction of weekly working hours



Payment of 70% of their taxes

What's the Damage?

→ *Implications of the strike so far (as of 26th September)*



1,500
Flights
Cancelled

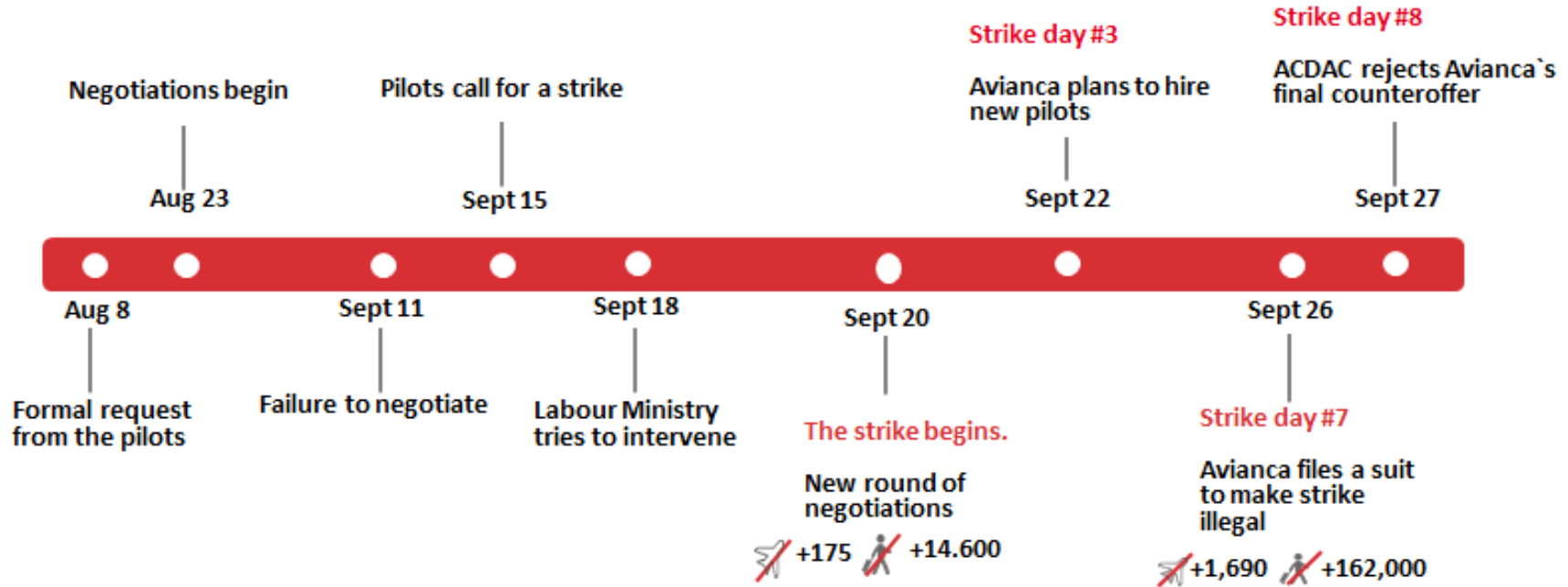


40%
Reduction of
Operations



146,000
Passengers
Affected

Timeline of Events



26th of September, Bogota, Colombia: the last meeting



Take into account...

- Negotiations are **off the table**
- The strike can legally last for **up to 60 days**
- **Transportation**, as an essential public service, has to be **guaranteed according to the law**
- Upcoming holiday on October 9th : **high season**
- Losing approximately **USD 2.5 million** per day
- Your clients are **upset!**



You are part of the CEO's crisis management unit...



Managerial Questions

What solutions or strategies would you recommend in order to manage the crisis going forward?

How can these solutions minimise the damage to the various stakeholders involved?

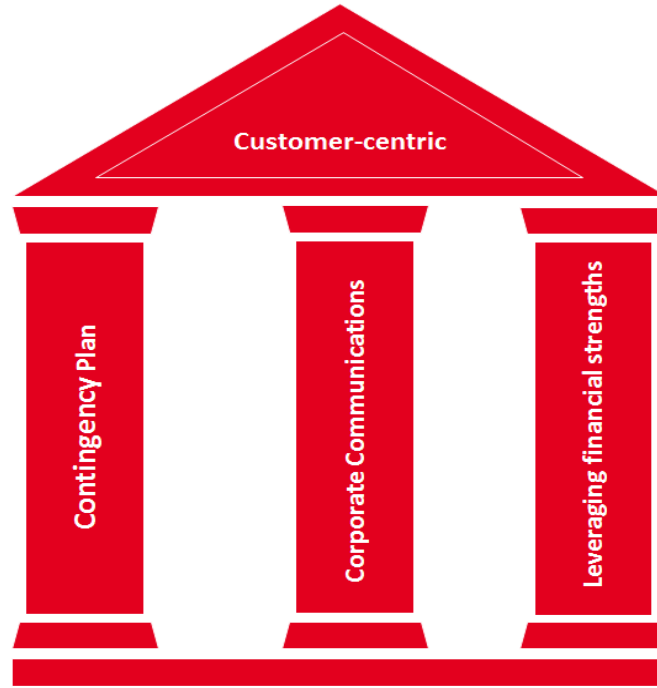


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Days of strike!

What Did They Actually Do?

The Management Strategy



Contingency Plan

Transparency & Support Strategy

- **Waiver** of penalty for flight changes and refunds to travellers
- Customer service support: **shift reinforcement** of 200 employees
- Maintenance technician team **strengthened**
- **Interdisciplinary** team to monitor operations and impact of strike
- Hire foreign pilots

→ Satisfy the Customers

→ Retain Trust



Corporate Communications

- Consistent message
- Advocacy strategy: change the opinion of stakeholders
- Public information model: media relations. E.g. Press releases, press conferences
- Social media campaigns: direct communications & corporate videos

→ Increase Government and General Public Support

→ Retain and Build Credibility

Avianca rejects illegal strike called by ACDAC

Bogotá, September 15. Avianca categorically rejects the call for a strike made by the Colombian Civil Aviators Association (ACDAC) that affects clients, the country's connectivity and a measure to put pressure upon the company that does not respect the interests of Avianca's 22,000 employees and their families.

The right to strike is guaranteed by article 56 of the Colombian Constitution and Article 430 of the Substantive Labor Code. On its part, Law 336 of 1996, in articles 5 and 68, qualifies transportation as an essential service. However, should they follow through, the airline will take the corresponding disciplinary actions.

During the negotiations, Avianca presented more than 20 proposals to ACDAC, which noted that the company reached an agreement with the pilots, the benefits of which extend to 100% of all pilots and the leaders of this association.

Likewise, during 2017, Avianca executed a contingency plan aimed at achieving the most efficient use of human and physical resources available.

Due to the illegal cessation of activities of pilots who are members of the ACDAC Avianca activates contingency plan

To protect the service provided to clients, the company has designed a contingency itinerary aimed at achieving the most efficient use of human and physical resources available.

Bogotá, September 20, 2017. Due to the illegal cessation of activities announced by the Colombian Civil Aviators Association (ACDAC), Avianca has launched an emergency plan to mitigate the effects of the measures taken to put pressure on the company, over the country's connectivity and to protect the service provided to clients.

With these illegal cessation of activities, the ACDAC is ignoring the 20 proposals presented by the Company to respond to the needs of the pilots. With this decision, ACDAC directives will deliberately affect clients and as a result, 22 thousand employees who have been diligently working on Avianca's growth and expansion plans.

Confronted with this situation, and seeking to maintain Avianca's standards of service, the Company has adopted the following measures:

1. **Waiver of penalties for flight changes:** passengers who wish to change the date of their flights may do so without paying an additional charge. These changes may be requested by contacting the call center phone lines listed below.



Leverage Financial Strengths

- **Strong** financial position
- **Brand architecture:** parent company is Avianca Holdings
- Give customers a **high quality** service

→ **Exploit all Capabilities**

→ **Sustain Market Position**

STRATEGIC NORTH

Avianca Holdings S.A.

CEO Message

Dear Shareholders,

This is the right moment to look back at the year that just ended, to perform an evaluation of our performance, our operations, our achievements and the challenges we came across during the last quarter and the full year 2017.

Avianca achieved solid results across key operational and profitability metrics in 2017 despite the challenges we faced during the end of third quarter, as well as the fourth quarter of this year. 2017 could have been probably the best year of the Company in our almost 100 years, but because of the turbulences we came across during the 4Q, we were short on this goal. Nevertheless, this proves that we have placed the right strategy and the right resources to achieve the next level of performance. Avianca's successful strategy to address the ACDAC (minority pilots union) illegal strike underscored our ability to effectively mitigate the strike's impact on our customers and on our value proposition, maintaining the premium quality service for which we are known while protecting the financial integrity of the company, as well as working very hard towards the our customers, center of our strategy.

I'm also pleased to note that on November 29, 2017, Avianca Holdings and Kingsland Holdings Ltd., Avianca's minority shareholders, agreed to withdraw our respective lawsuits. We welcome this decision as it allows us to better focus on our strategic priorities for the future ahead.

Avianca
Holdings S.A.

Key Learnings



Work together: Call for unity internally to maintain strong identity



Stay consistent no matter what: one message



Take risks and do whatever it takes to contain the crisis

What do you think?

Could Avianca's strategy be replicated in other countries, in Europe, for example?

In the long-term, what could be the consequences for the organisation?



Avianca 



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? Questions ?
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